

CASE

NUMBER:

99-311

INDEX FOR CASE: 1999-311

BLUE GRASS ENERGY COOPERATIVE CORP.

AS OF : 12/22/99

Rates - General

DECREASE IN RATES

IN THE MATTER OF THE DECREASE IN RATES OF BLUE GRASS ENERGY
COOPERATIVE CORPORATION

SEQ NBR	ENTRY DATE	REMARKS
0001	07/14/1999	Notice of Intent.
0002	07/27/1999	Notice of Intent Acknowledgement Letter.
0003	08/25/1999	Application.
M0001	08/25/1999	BLUE GRASS ENERGY DAN BREWER-APPLICATION
0004	08/30/1999	Acknowledgement letter.
0005	09/15/1999	Order granting from requirements of 807 KAR 5:001, Sec 10; deficiencies cured
0006	09/21/1999	Order suspending rates for 5 months from 10/1/99 to 2/29/2000
0007	10/01/1999	Data Request Order; response due 10/11
M0002	10/08/1999	DONALD SMOTHERS BLUE GRASS ENERGY-RESPONSE TO ORDER OF OCT 1,99
0008	10/29/1999	Order scheduling 11/3 informal conference
M0003	11/08/1999	DAN BREWER BLUE GRASS COOP ENERGY-AMENDED APPLICATION
0009	12/20/1999	FINAL ORDER APPROVING RATES



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-311
BLUE GRASS ENERGY COOPERATIVE CORP.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on December 20, 1999.

Parties of Record:

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE)
GRASS ENERGY COOPERATIVE) CASE NO. 99-311
CORPORATION)

O R D E R

On December 12, 1997, the Commission approved the consolidation of Blue Grass Rural Electric Cooperative Corporation ("Blue Grass") and Fox Creek Rural Electric Cooperative Corporation ("Fox Creek") into a new electric distribution cooperative known as Blue Grass Energy Cooperative Corporation ("Blue Grass Energy").¹ As a result of this consolidation, there are two billing rates for each rate class of Blue Grass Energy. Pursuant to the Commission's Order of December 12, 1997, Blue Grass and Fox Creek were to develop a plan to achieve rate parity among the cooperative members.

On August 25, 1999, Blue Grass Energy filed an application with the Commission outlining its plan to phase-in the rate differential in three stages over an estimated 4 years, with the last stage including a cost-of-service study and the development of common rate structures by rate class for all its customers. Blue Grass Energy's application requests approval of its phase-in plan as well as approval of Phase 1. Blue Grass Energy proposes in Phase 1 to decrease the residential rate in the Fox

¹ Case No. 97-424, The Application of Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation for an Order Approving Consolidation of the Two (2) Named Rural Electric Cooperatives.

Creek District by approximately \$206,000, or one-third (1/3) of the rate differential of 7.4 percent effective October 1, 1999. Blue Grass Energy provided notice of its proposed decrease to its customers as required by regulation.

A review of the application revealed that certain customers of Blue Grass Energy with low monthly usage were actually receiving an increase in rates under Blue Grass Energy's proposal. Therefore, the Commission determined that further proceedings were necessary and, on September 21, 1999, issued an Order suspending the proposed rates until February 29, 2000. The Commission issued a request for additional information on October 1, 1999, and Blue Grass Energy filed its response on October 8, 1999.

An informal conference was held at the Commission's Offices on November 3, 1999, between Commission Staff and representatives of Blue Grass Energy, for the purpose of discussing the application. On November 8, 1999, Blue Grass Energy filed an amended application reallocating the reduction to ensure that no customers of the Fox Creek District will receive an increase in Phase 1. The amended application included a request to deviate from the notice requirements of Administrative Regulation 807 KAR 5:001, Section 10(3). Blue Grass Energy requested permission to avoid newspaper publication of its amended application since notice of a rate reduction had been previously published.

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. Blue Grass Energy's plan to achieve rate parity among its member customers in 3 phases over an estimated 4 years, with the final stage including a full

cost-of-service study and the development of common rate structures for each rate class of Blue Grass Energy, should be approved on the condition that should material changes in Blue Grass Energy's condition enable it to accelerate its proposed plan, it will do so.

2. The rates set forth in Appendix A are fair, just and reasonable rates for Blue Grass Energy to charge for service in its Fox Creek District.

3. Blue Grass Energy has requested that the rates become effective January 1, 1999; however, since the proposal represents a reduction in rates, the customers of the Fox Creek District should receive the benefit of lower rates as of the date of this Order.

4. Blue Grass Energy's request for deviation should be granted. Blue Grass Energy has previously published notice in accordance with Administrative Regulation 807 KAR 5:001, Section 10(3), of its application to reduce the residential rates. Therefore, the public has been given adequate notice of these proceedings.

IT IS THEREFORE ORDERED that:

1. The Commission generally approves Blue Grass Energy's plan to phase in rate reductions with a current projected timetable of 4 years, on the condition that should material changes in Blue Grass Energy's condition enable it to accelerate its proposed plan, it will do so.

2. Before implementing each phase of the plan, Blue Grass Energy shall file an application with the Commission.

3. The rates in Appendix A are approved for service rendered by Blue Grass Energy in its Fox Creek District on and after the date of this Order.

4. Blue Grass Energy is granted permission to deviate from Administrative Regulation 807 KAR 5:001, Section 10(3), and shall not be required to publish notice of the revisions to its application.

5. Blue Grass Energy shall file within 30 days of the date of this Order its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of December, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-311 DATED DECEMBER 20, 1999.

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

FOX CREEK DISTRICT

SCHEDULE R
RESIDENTIAL SERVICE

Rate:

Minimum Bill	First 30 KWH Per Month	\$ 5.39 Per Month
All Over	30 KWH Per Month	.05731 Per KWH

SCHEDULE R2
RESIDENTIAL MARKETING RATE

Rate:

All KWH	\$.03439 Per KWH
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV - 8 1999
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

DECREASE IN RATES OF
BLUE GRASS ENERGY
COOPERATIVE CORPORATION

CASE NO. 99-311

AMENDED APPLICATION

Blue Grass Energy Cooperative Corporation (hereafter referred to as "Blue Grass Energy") is amending its Original Application as filed on August 16, 1999 in the above referenced case.

The original Application was filed to reduce the customer charge from \$5.39 per month to \$5.30 per month, to eliminate the minimum bill for the first 30 kwh per month and reduce the kwh energy charge to achieve an overall revenue decrease of approximately \$206,000 in the Fox Creek District.

This Amended Application is filed for the purpose of changing the method in which the decrease is to be allocated between the customer charge, minimum bill and energy charge. Blue Grass Energy is requesting in this Amended Application to retain the existing customer charge of \$5.39 per month and the minimum bill for the first 30 kwh of usage. The proposed decrease would be allocated to the energy charge for the Fox Creek District.

The Amended proposed tariffs are shown as Exhibit 1 of this Amended Application.

The proposed energy charge and effect at various kwh usage is reflected as Exhibit 2 of this Amended Application. This is the same information as filed by Blue Grass Energy in the response to the Commission's request for information dated October 1, 1999 as Item 2.

Applicant respectfully requests a deviation or waiver from notice request to avoid a republication of this Amended Application.

All other information from the original Application remains the same.


Dan Brewer, President & CEO

For Fox Creek District
Community, Town or City
P.S.C. No. 3
1st Revision Sheet No. 58

Blue Grass Energy
Name of Issuing Corporation

Cancelling P.S.C. No. 2
Original Sheet No. 58

CLASSIFICATION OF SERVICE

SCHEDULE R RESIDENTIAL RATE
PER UNIT

Availability of Service

Available in all territory served by the Cooperative, in accordance with the Cooperative's Service Rules and Regulations.

Applicability

Applicable for residential use and for use incidental thereto supplied through one meter to each individual unit where the load requirements can be met by transformers having a capacity not to exceed 25 kVA. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

Type of Service

Single-phase, 60 hertz, at 120/240 standard secondary voltage, or where available, three phase, 60 hertz, 4 wire 120/240 standard secondary voltage.

Monthly Rate

Minimum bill first 30 kwh per month \$5.39 per month
All over 30 kwh per month 0.05731 (D)

Minimum Monthly

The minimum monthly charge under the above rate shall be \$.90 per KVA of transformer capacity but in no case less than \$5.39.

DATE OF ISSUE November 5, 1999 DATE EFFECTIVE January 1, 2000
ISSUED BY [Signature] TITLE President/CEO
Name of Officer

Issued by authority of an Order of the Public Service Commission of KY in Case No. _____ dated _____.

For Fox Creek District
Community, Town or City
P.S.C. No. 3
1st Revision Sheet No. 67

Blue Grass Energy
Name of Issuing Corporation

Cancelling P.S.C. No. 2
Original Sheet No. 67

CLASSIFICATION OF SERVICE

SCHEDULE R2 RESIDENTIAL MARKETING RATE RATE
Availability of Service PER UNIT

This special marketing rate is available for specific marketing programs as approved by Blue Grass Energy's Board of Directors. The electric power furnished under this marketing program shall be separately metered for each point of delivery and is applicable during the below listed off-peak hours. This rate is available to customers already receiving service under the Schedule R Residential Rate. This marketing rate applies only to programs which are expressly approved by the Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's Wholesale Power Rate Schedule A.

<u>Months</u>	<u>Off Peak Hours - Est</u>
May through September	10:00 p.m. to 10:00 a.m.
October through April	12:00 noon to 5:00 p.m. 10:00 p.m. to 10:00 a.m.

Rates

The energy rate for this program is as listed below.

All kwh 0.03439 (D)

Terms of Payment

In the event the current monthly bill is not paid within fifteen (15) days from the date of the bill, five percent (5%) shall be added to the bill.

DATE OF ISSUE November 5, 1999 DATE EFFECTIVE January 1, 2000
ISSUED BY [Signature] TITLE President/CEO
Name of Officer

Issued by authority of an Order of the Public Service Commission of KY in Case No. _____ dated _____.

Blue Grass Energy Cooperative Corporation
Retail Rate Comparison
 Case No. 99-311 - Order dated October 1, 1999
 Witness: Don Smothers
 Witness: Alan Zumstein

Item 2
 page 1
 of 4

a. The energy charge would be decreased to \$0.05731 per kwh.

b. Updated Exhibit G is shown as follows:

R - Residential - Fox Creek District

	Present	Proposed	Difference
Customer charge	\$5.39	\$5.39	\$0.00
Minimum bill, first 30 kwh	\$0.00000	\$0.00000	\$0.00000
Energy charge	\$0.05888	\$0.05731	(\$0.00157)

kwh Useage	Existing Rate	Proposed Rate	Increase Amount	Percent
0	\$5.39	\$5.39	\$0.00	0.0%
25	5.39	5.39	0.00	0.0%
50	6.57	6.54	(0.03)	-0.5%
100	9.51	9.40	(0.11)	-1.2%
150	12.46	12.27	(0.19)	-1.5%
200	15.40	15.13	(0.27)	-1.8%
250	18.34	18.00	(0.35)	-1.9%
300	21.29	20.86	(0.42)	-2.0%
350	24.23	23.73	(0.50)	-2.1%
400	27.18	26.59	(0.58)	-2.2%
450	30.12	29.46	(0.66)	-2.2%
500	33.06	32.33	(0.74)	-2.3%
550	36.01	35.19	(0.82)	-2.3%
600	38.95	38.06	(0.89)	-2.4%
650	41.90	40.92	(0.97)	-2.4%
700	44.84	43.79	(1.05)	-2.4%
750	47.78	46.65	(1.13)	-2.4%
800	50.73	49.52	(1.21)	-2.4%
850	53.67	52.38	(1.29)	-2.5%
900	56.62	55.25	(1.37)	-2.5%
950	59.56	58.12	(1.44)	-2.5%
1,000	62.50	60.98	(1.52)	-2.5%
1,050	65.45	63.85	(1.60)	-2.5%
1,100	68.39	66.71	(1.68)	-2.5%
1,150	71.34	69.58	(1.76)	-2.5%
1,200	74.28	72.44	(1.84)	-2.5%
1,250	77.22	75.31	(1.92)	-2.5%
1,300	80.17	78.17	(1.99)	-2.6%
1,350	83.11	81.04	(2.07)	-2.6%
1,400	86.06	83.90	(2.15)	-2.6%
1,450	89.00	86.77	(2.23)	-2.6%
1,116	69.33	67.63	(1.71)	-2.5%

The average monthly usage is 1,116 kwh.

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Blue Grass Energy Cooperative Corporation
Retail Rate Comparison
Case No. 99-311 - Order dated October 1, 1999
Witness: Don Smothers
Witness: Alan Zumstein

R2 - Residential Marketing Rate - Fox Creek District

Rates	Present	Proposed	Difference	
Customer charge			(\$0.00094)	
Off Peak energy charge	\$0.03533	\$0.03439		
kwh Usage	Existing Rate	Proposed Rate	Increase Amount	Percent
716	25.30	24.62	(0.68)	-2.7%

The average monthly useage is 716 kwh.



Blue Grass Energy
Billing Analysis
Case No. 99-311

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of 3
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Order dated October 1, 1999

Schedule R
Residential - Fox Creek District

Billing Determinants	Number	Actual		Normalized		Nicholasville & Madison Distri		Proposed	
		Rate	Revenues	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer charge	<u>120,468</u>	\$5.39	\$649,323	\$5.39	\$649,323	\$5.30	\$638,480	\$5.39	\$649,323
Minimum bill, firs 30 kwh per month	3,304,778					\$0.05292	174,889		0
Energy charge, per kwh	<u>131,194,410</u>	\$0.05802	7,611,900	\$0.05888	7,724,727	\$0.05292	6,942,808	\$0.05731	7,518,752
Total kwh	<u>134,499,188</u>								
Billing adjustments			<u>13,594</u>		<u>13,594</u>		<u>13,594</u>		<u>13,594</u>
Total from base rates			8,274,816		<u>\$8,387,643</u>		<u>\$7,769,771</u>		<u>\$8,181,668</u>
Fuel adjustment			<u>(365,171)</u>						
Total revenues			<u>\$7,909,645</u>						
Amount of change					<u>112,827</u>		<u>(617,872)</u>		<u>(205,975)</u>
Percent of change					1.4%		-7.4%		-2.5%
Amount of change requested					1/3 of differential		<u>(205,957)</u>		
Percent of change requested									-2.5%



Order dated October 1, 1999

Schedule R2
Residential Marketing Rate - Fox Creek District

Billing Determinants

Number	Actual		Normalized		Nicholasville & Madison Distri		Proposed	
	Rate	Revenues	Rate	Revenues	Rate	Revenues	Rate	Revenues

Customer charge 349

Energy charge, per kwh 250,090 \$0.03481 8,706 \$0.03533 8,836 \$0.03175 7,940 \$0.03439 8,601

Total kwh 250,090

Billing adjustments _____ 98 _____ 98 _____ 98 _____ 98

Total from base rates _____ 8,804 _____ \$8,934 _____ \$8,038 _____ \$8,699

Fuel adjustment _____ (669)

Total revenues _____ \$8,135

Amount of change _____ 130 _____ (895) _____ (235)

Percent of change 1.5% -10.0% -2.6%

Amount of change requested 1/3 of differential (298)

Percent of change requested -3.3%





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 29, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE) CASE NO. 99-311
GRASS ENERGY COOPERATIVE)
CORPORATION)

O R D E R

The Commission, on its own motion, HEREBY ORDERS that an informal conference shall be held November 3, 1999 at 10:00 a.m., Eastern Standard Time, in Conference Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 29th day of October, 1999.

By the Commission

ATTEST:


Executive Director



**Blue Grass Energy
Cooperative Corporation**

PO Box 990
1201 Lexington Road
Nicholasville, Kentucky 40340-0990
Phone: (606) 885-4191
Fax: (606) 885-2854

RECEIVED
OCT 08 1999
PUBLIC SERVICE
COMMISSION

October 7, 1999

Helen C. Helton Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort Kentucky 40602

Dear Ms. Helton,

We have enclosed an original and twelve (12) copies of the information requested in Case No. 99-311. If you have any questions, please contact me at (606) 885-4192 ext. 118. As always, your continued assistance and cooperation is appreciated.

Sincerely,

A handwritten signature in cursive script that reads "J. Donald Smothers".

J. Donald Smothers
Vice President, Financial Services





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 1, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE)
GRASS ENERGY COOPERATIVE) CASE NO. 99-311
CORPORATION)

O R D E R

IT IS ORDERED that Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") shall file the original and 12 copies of the following request for information with the Commission, with a copy to all parties of record, no later than 10 days after the date of this Order. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Expand Exhibit G, Page 1, to show the following:
 - a. Number of customers served for each increment of KWH usage.
 - b. Current and proposed revenue for each increment of KWH usage.
2. Blue Grass Energy has filed this case as a rate decrease. However, the change in rate structure eliminating the inclusion of 30 KWH of usage in the base charge results in a rate increase for customers using 575 KWH or less per month.

a. While still achieving an overall rate reduction in Fox Creek's residential rate of \$206,304, provide the effect on Fox Creek's existing energy charge if the customer charge included up to 30 KWH usage.

b. Provide an updated Exhibit G and H to reflect this.

3. Explain why it would not be feasible to retain the 30 KWH as part of the customer charge until the last step of the phase-in to avoid some customers getting an increase in rates. Provide the resulting TIER if the proposed energy charge was implemented with the retention of the 30 KWH usage.

4. Reconcile test year revenues shown in Exhibit E with the operating revenues in Exhibit M.

5. Refer to Exhibit M, Page 3 of 3.

a. How did Blue Grass Energy determine that an adjusted test year TIER of 1.32 was necessary?

b. In Item 2 of a letter to the Commission's Executive Director in case No. 97-424¹ dated February 18, 1999, Blue Grass Energy stated that a TIER of 1.8 was achieved for 1998. Explain the reason for the decrease in the TIER to 1.44 for the test year.

c. How will Rural Utilities Service ("RUS") calculate the average TIER for mortgage purposes for the merged cooperative; i.e., since the merged utility does not have three years of financial statements, how will RUS decide if the utility meets the 1.5 average for the best two of the last three calendar years?

¹ Case No. 97-424, The Application of Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation for an Order Approving Consolidation of the Two (2) Named Rural Electric Cooperatives.

6. Would Blue Grass Energy consider revising its application to provide the same decrease in revenue but structure rates so that no customer has a revenue increase, or retain the proposed rate structure and absorb a larger decrease in revenue so that all customers receive a rate reduction? If yes, provide the proposed rates that would accomplish either of these objectives. In no, explain.

Done at Frankfort, Kentucky, this 1st day of October, 1999.

By the Commission

ATTEST:


Executive Director

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RUS Calculation

5

Application or Rate Structure Revision

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Blue Grass Energy Cooperative Corporation
 Effect on Average Use
 Case No. 99-311, Order dated October 1, 1999
 Witness: Donald Smothers
 Witness: Alan Zumstein

Item 1
 page 1

R - Residential - Fox Creek District

	Present	Proposed	Difference
Customer charge	\$5.39	\$5.30	(\$0.09)
Minimum bill, first 30 kwh	\$0.00000	n/a	
Energy charge	\$0.05574	\$0.05292	(\$0.00282)

kwh Usage	No. of Consumers	kwh Usage	Existing Revenue	Proposed Revenue	Increase Amount	Increase Percent
0	5,909	0	31,850	31,318	(532)	-1.7%
25	4,583	40,265	24,702	26,421	1,718	6.5%
50	1,953	72,693	11,313	14,198	2,885	20.3%
100	3,199	234,788	24,980	29,380	4,399	15.0%
150	2,333	286,386	24,637	27,520	2,884	10.5%
200	1,963	339,862	26,242	28,389	2,147	7.6%
250	1,706	382,130	27,642	29,264	1,622	5.5%
300	1,654	452,884	31,393	32,733	1,340	4.1%
350	1,672	536,579	36,125	37,257	1,132	3.0%
400	1,877	698,883	45,934	46,933	999	2.1%
450	2,037	861,819	55,611	56,404	793	1.4%
500	2,207	1,044,166	66,407	66,954	547	0.8%
550	2,355	1,231,155	77,380	77,634	254	0.3%
600	2,569	1,469,843	91,480	91,400	(80)	-0.1%
650	2,749	1,712,529	105,677	105,197	(480)	-0.5%
700	3,011	2,023,234	123,969	123,028	(942)	-0.8%
750	3,048	2,200,354	133,980	132,597	(1,382)	-1.0%
800	3,199	2,469,357	149,535	147,633	(1,902)	-1.3%
850	3,210	2,639,939	159,084	156,719	(2,366)	-1.5%
900	3,270	2,853,527	171,213	168,340	(2,873)	-1.7%
950	3,089	2,845,042	170,067	166,931	(3,136)	-1.9%
1,000	3,125	3,030,539	180,540	176,939	(3,602)	-2.0%
1,100	6,135	6,418,032	380,550	372,158	(8,392)	-2.3%
1,200	5,882	6,729,946	396,995	387,323	(9,672)	-2.5%
1,300	5,449	6,785,756	398,496	387,982	(10,514)	-2.7%
1,400	5,029	6,763,004	395,667	384,552	(11,115)	-2.9%
1,500	4,570	6,595,609	384,630	373,261	(11,369)	-3.0%
1,600	3,927	6,059,160	352,337	341,464	(10,874)	-3.2%
1,700	3,542	5,816,197	337,363	326,566	(10,798)	-3.3%
1,800	3,117	5,433,788	314,468	304,076	(10,392)	-3.4%
1,900	2,833	5,221,903	301,601	291,358	(10,243)	-3.5%
2,000	2,391	4,646,864	267,905	258,584	(9,321)	-3.6%
2,100	2,153	4,394,670	252,963	243,977	(8,986)	-3.7%
2,200	1,898	4,065,121	233,646	225,186	(8,461)	-3.8%
2,300	1,642	3,677,317	211,078	203,306	(7,772)	-3.8%
2,400	1,411	3,302,003	189,299	182,220	(7,079)	-3.9%
2,500	1,201	2,927,706	167,655	161,300	(6,356)	-3.9%
2,600	1,056	2,683,121	153,483	147,588	(5,896)	-4.0%
2,700	938	2,476,937	141,552	136,051	(5,501)	-4.0%
2,800	852	2,335,616	133,355	128,116	(5,238)	-4.1%
2,900	669	1,888,076	107,729	103,463	(4,266)	-4.1%
3,000	593	1,741,578	99,280	95,307	(3,973)	-4.2%
3,100	528	1,605,578	91,458	87,766	(3,692)	-4.2%
3,200	471	1,470,575	83,721	80,319	(3,402)	-4.2%
3,300	385	1,245,520	70,857	67,953	(2,903)	-4.3%
3,400	387	1,281,398	72,864	69,863	(3,001)	-4.3%
3,500	318	1,093,198	62,117	59,537	(2,580)	-4.3%
3,600	305	1,079,826	61,323	58,761	(2,563)	-4.4%
3,700	256	924,292	52,472	50,270	(2,201)	-4.4%
3,800	211	788,353	44,727	42,838	(1,889)	-4.4%
over 3,800	1,601	7,622,070	430,806	411,845	(18,961)	-4.6%

Total 120,468 134,499,188 7,960,161 7,756,177 (203,984) -2.6%

Difference from 25 to 30 kwh 2,047

Billing adjustments 13,594 13,594

Per Exhibit H, page 1 of 2 of Application 7,975,802 7,769,771

1 Blue Grass Energy Cooperative Corporation
 2 **Retail Rate Comparison**
 3 Case No. 99-311 - Order dated October 1, 1999
 4 Witness: Don Smothers
 5 Witness: Alan Zumstein
 6

Item 2
 page 1
 of 4

7 a. The energy charge would be decreased to \$0.05731 per kwh.

8
 9 b. Updated Exhibit G is shown as follows:
 10 R - Residential - Fox Creek District

	Present	Proposed	Difference
11 Customer charge	\$5.39	\$5.39	\$0.00
12 Minimum bill, first 30 kwh	\$0.00000	\$0.00000	\$0.00000
13 Energy charge	\$0.05888	\$0.05731	(\$0.00157)

kwh Useage	Existing Rate	Proposed Rate	Increase Amount	Percent
18 0	\$5.39	\$5.39	\$0.00	0.0%
19 25	5.39	5.39	0.00	0.0%
20 50	6.57	6.54	(0.03)	-0.5%
21 100	9.51	9.40	(0.11)	-1.2%
22 150	12.46	12.27	(0.19)	-1.5%
23 200	15.40	15.13	(0.27)	-1.8%
24 250	18.34	18.00	(0.35)	-1.9%
25 300	21.29	20.86	(0.42)	-2.0%
26 350	24.23	23.73	(0.50)	-2.1%
27 400	27.18	26.59	(0.58)	-2.2%
28 450	30.12	29.46	(0.66)	-2.2%
29 500	33.06	32.33	(0.74)	-2.3%
30 550	36.01	35.19	(0.82)	-2.3%
31 600	38.95	38.06	(0.89)	-2.4%
32 650	41.90	40.92	(0.97)	-2.4%
33 700	44.84	43.79	(1.05)	-2.4%
34 750	47.78	46.65	(1.13)	-2.4%
35 800	50.73	49.52	(1.21)	-2.4%
36 850	53.67	52.38	(1.29)	-2.5%
37 900	56.62	55.25	(1.37)	-2.5%
38 950	59.56	58.12	(1.44)	-2.5%
39 1,000	62.50	60.98	(1.52)	-2.5%
40 1,050	65.45	63.85	(1.60)	-2.5%
41 1,100	68.39	66.71	(1.68)	-2.5%
42 1,150	71.34	69.58	(1.76)	-2.5%
43 1,200	74.28	72.44	(1.84)	-2.5%
44 1,250	77.22	75.31	(1.92)	-2.5%
45 1,300	80.17	78.17	(1.99)	-2.6%
46 1,350	83.11	81.04	(2.07)	-2.6%
47 1,400	86.06	83.90	(2.15)	-2.6%
48 1,450	89.00	86.77	(2.23)	-2.6%
49				
50				
51 1,116	69.33	67.63	(1.71)	-2.5%

52 The average monthly useage is 1,116 kwh.
 53
 54

1 Blue Grass Energy Cooperative Corporation
2 **Retail Rate Comparison**
3 Case No. 99-311 - Order dated October 1, 1999
4 Witness: Don Smothers
5 Witness: Alan Zumstein
6

Item 2
page 2
of 4

7 R2 - Residential Marketing Rate - Fox Creek District
8

9 Rates	Present	Proposed	Difference	
10 Customer charge				
11 Off Peak energy charge	\$0.03533	\$0.03439	(\$0.00094)	
12				
13				
14 kwh Useage	Existing Rate	Proposed Rate	Increase Amount	Percent
15				
16 716	25.30	24.62	(0.68)	-2.7%
17				
18				

19 The average monthly useage is 716 kwh.
20
21
22
23
24
25
26

Blue Grass Energy
Billing Analysis
Case No. 99-311

Item 2
page 3
of 4

Order dated October 1, 1999

Schedule R
Residential - Fox Creek District

Billing Determinants	Number	Actual		Normalized		Nicholasville & Madison Distri		Proposed	
		Rate	Revenues	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer charge Minimum bill, firs 30 kwh per month	<u>120,468</u> 3,304,778	\$5.39	\$649,323	\$5.39	\$649,323	\$5.30	\$638,480	\$5.39	\$649,323
Energy charge, per kwh	<u>131,194,410</u>	\$0.05802	7,611,900	\$0.05888	7,724,727	\$0.05292	6,942,808	\$0.05731	7,518,752
Total kwh	<u>134,499,188</u>								
Billing adjustments			<u>13,594</u>		<u>13,594</u>		<u>13,594</u>		<u>13,594</u>
Total from base rates			<u>8,274,816</u>		<u>\$8,387,643</u>		<u>\$7,769,771</u>		<u>\$8,181,668</u>
Fuel adjustment			<u>(365,171)</u>						
Total revenues			<u>\$7,909,645</u>						
Amount of change					<u>112,827</u>		<u>(617,872)</u>		<u>(205,975)</u>
Percent of change					1.4%		-7.4%		-2.5%
Amount of change requested					1/3 of differential		<u>(205,957)</u>		
Percent of change requested							-2.5%		

Blue Grass Energy
Billing Analysis
Case No. 99-311 - Order dated October 1, 1999
Witness: Dan Brewer
Witness: Donald Smothers
Witness: Alan Zumstein

Item 3
page 1 of 3

Should Blue Grass Energy retain the 30 kwh as part of the customer charge until the last step of the phase-in, the customers using less than 575 kwh or less would still experience an increase. This is reflected in Item 3, page 3 of 3 of this response.

The Present and Proposed Energy Charge is computed as follows to arrive at the amounts that would be in effect should the decrease be applied all to the Energy Charge, and none to the Customer Charge and maintain the 30 kwh minimum bill, until the final phase.

Present rate	\$0.05888
Decrease for first phase (see Item 2, page 1 of 4)	<u>(\$0.00157)</u>
	\$0.05731
Decrease for second phase (same as Item 2, page 1 of 4)	<u>(\$0.00157)</u>
	<u>\$0.05574</u>
Present rate for the Nicholasville and Madison District	<u>\$0.05292</u>

Item 3, page 2 of 3 shows the effects on various usages assuming the 30 kwh minimum is left in place until the final phase. Exhibit G, page 1 of 2 of the Application shows the effects of eliminating the 30 kwh minimum in the first phase of the rate reductions. A comparison of eliminating the 30 kwh minimum in the first phase or the final phase indicates a differential in the usages of less than \$0.10 (ten cents) for each level of use.

Blue Grass Energy is of the opinion that having Residential rates being consistent throughout its entire service territory is more important than waiting until the final phase for a differential of less than \$0.10 for each level of usage. In addition, this would simplify billing inquiries and adjustments. The present rate structure is confusing to the Consumer Account Representatives due to the inconsistencies in the Fox Creek District in relation to Nicholasville and Madison Districts.

Item 3, page 3 of 3 of this response reflects a TIER of 1.20 if the proposed energy charge was implemented with the retention of the 30 kwh usage.

Blue Grass Energy Cooperative Corporation
Effect on Average Use
 Case No. 99-311 - Order dated October 1, 1999
 Witness: Donald Smothers
 Witness: Alan Zumstein

Item 3
 page 2 of 3

R - Residential - Fox Creek District

	Phase II	Final Phase	Difference
Customer charge	\$5.39	\$5.30	(\$0.09)
Minimum bill, first 30 kwh	\$0.00000	n/a	
Energy charge	\$0.05574	\$0.05292	(\$0.00282)

kwh Usage	Existing Rate	Proposed Rate	Increase Amount	Percent
0	\$5.39	\$5.30	(\$0.09)	-1.7%
25	5.39	6.62	1.23	18.6%
50	6.50	7.95	1.44	18.1%
100	9.29	10.59	1.30	12.3%
150	12.08	13.24	1.16	8.8%
200	14.87	15.88	1.02	6.4%
250	17.65	18.53	0.88	4.7%
300	20.44	21.18	0.74	3.5%
350	23.23	23.82	0.60	2.5%
400	26.01	26.47	0.45	1.7%
450	28.80	29.11	0.31	1.1%
500	31.59	31.76	0.17	0.5%
550	34.37	34.41	0.03	0.1%
600	37.16	37.05	(0.11)	-0.3%
650	39.95	39.70	(0.25)	-0.6%
700	42.74	42.34	(0.39)	-0.9%
750	45.52	44.99	(0.53)	-1.2%
800	48.31	47.64	(0.67)	-1.4%
850	51.10	50.28	(0.81)	-1.6%
900	53.88	52.93	(0.96)	-1.8%
950	56.67	55.57	(1.10)	-2.0%
1,000	59.46	58.22	(1.24)	-2.1%
1,050	62.24	60.87	(1.38)	-2.3%
1,100	65.03	63.51	(1.52)	-2.4%
1,150	67.82	66.16	(1.66)	-2.5%
1,200	70.61	68.80	(1.80)	-2.6%
1,250	73.39	71.45	(1.94)	-2.7%
1,300	76.18	74.10	(2.08)	-2.8%
1,350	78.97	76.74	(2.22)	-2.9%
1,400	81.75	79.39	(2.37)	-3.0%
1,450	84.54	82.03	(2.51)	-3.1%
1,116	65.92	64.36	(1.56)	-2.4%

The average monthly useage is 1,116 kwh.

Order dated October 1, 1999

Schedule R
Residential - Fox Creek District

Billing Determinants	Number	Actual		Normalized		Nicholasville & Madison Distric		Proposed	
		Rate	Revenues	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer charge	<u>120,468</u>	\$5.39	\$649,323	\$5.39	\$649,323	\$5.30	\$638,480	\$5.39	\$649,323
Minimum bill, firs 30 kwh per month	3,304,778					\$0.05292	174,889		0
Energy charge, per kwh	<u>131,194,410</u>	\$0.05802	7,611,900	\$0.05888	7,724,727	\$0.05292	6,942,808	\$0.05598	7,344,263
Total kwh	<u>134,499,188</u>								
Billing adjustments			<u>13,594</u>		<u>13,594</u>		<u>13,594</u>		<u>13,594</u>
Total from base rates			8,274,816		<u>\$8,387,643</u>		<u>\$7,769,771</u>		<u>\$8,007,180</u>
Fuel adjustment			<u>(365,171)</u>						
Total revenues			<u>\$7,909,645</u>						
Amount of change					<u>112,827</u>		<u>(617,872)</u>		<u>(380,464)</u>
Percent of change					1.4%		-7.4%		-4.5%
Amount of change requested					1/3 of differential		<u>(205,957)</u>		
Percent of change requested							-2.5%		
Net Margins		<u>Existing</u>	<u>Adjustments</u>	<u>Proposed</u>					
Interest on long term debt		731,851	(380,699)	351,152					
		1,667,956		1,667,956					
TIER		1.44		1.21					



Blue Grass Energy
Billing Analysis
Case No. 99-311
Witness: Donald Smothers
Witness: Alan Zumstein

Item 4
Page 1 of 1

Test year revenues Exhibit E of Application	34,629,135
Miscellaneous revenues	<u>752,852</u>
Operating revenues, Exhibit M page 1 of 3 of the Application	<u><u>35,381,987</u></u>

Witness: Donald Smothers

Item 5(a) Determination of 1.32 TIER

The 1.32 TIER was not predetermined but was the result of the financial calculation of reducing the test year revenue for the one-third (1/3) difference in the Fox Creek District residential rate and the Nicholasville and Madison District's residential rates.

Item 5(b) Explanation for decrease in TIER from 1.44 for the test year.

In comparing the Test Year to the Calendar Year of 1998 is a decrease in margins of \$499,932 and an increase in long term interest of \$131,069. This results in the lowering of TIER from 1.88 to 1.44. The main reasons for the decrease in margins is:

Increase in cost of power over operating revenues	142,000
Increase in right of way maintenance expense	111,000
Increase in depreciation due to plant growth	62,000
Increase in interest expense due to plant growth	63,000
	<hr/>
	378,000
	<hr/> <hr/>

Item 5(c) RUS calculation of TIER for merged cooperative

Blue Grass Energy was informed by RUS that during the first five (5) years of the consolidation, if necessary, Blue Grass Energy could request a waiver in the TIER requirement from 1.5 to 1.0. It appears that in reviewing the TIER requirement, RUS will start with 1998 as the first year of operations and go forward. Blue Grass Energy has budgeted to maintain a financial condition that will not need a TIER requirement waiver.



Blue Grass Energy
Case No. 99-311 – Order dated October 1, 1999

Item 6
page 1 of 1

Witness: Dan Brewer
Witness: Donald Smothers
Witness: Alan Zumstein

Item 6 – Revise application or rate structure

Blue Grass Energy would consider a structure so that no customer has a revenue increase rather than propose a structure that would produce a larger decrease. Blue Grass Energy does not feel that it can absorb an additional decrease at this time. The original plan to phase in the decreases provides Blue Grass Energy with the best method to absorb the total decrease in rates of the Fox Creek District rates to the Nicholasville and Madison Districts.

As explained in Item 3 of this response, and comparing Exhibit G of the Application and Item 3, page 3 of 3, there is only an insignificant difference in the amounts and percentages of those schedules. Blue Grass Energy is of the opinion that the benefits of a common rate structure outweigh the insignificant differences.

Should the Commission decide that Blue Grass Energy should retain the 30kwh as part of the customer charge, then the rates reflected in Item 2, page 1 of 4 of this response would be the appropriate energy charge to use.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 1, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE)
GRASS ENERGY COOPERATIVE) CASE NO. 99-311
CORPORATION)

O R D E R

IT IS ORDERED that Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") shall file the original and 12 copies of the following request for information with the Commission, with a copy to all parties of record, no later than 10 days after the date of this Order. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Expand Exhibit G, Page 1, to show the following:
 - a. Number of customers served for each increment of KWH usage.
 - b. Current and proposed revenue for each increment of KWH usage.
2. Blue Grass Energy has filed this case as a rate decrease. However, the change in rate structure eliminating the inclusion of 30 KWH of usage in the base charge results in a rate increase for customers using 575 KWH or less per month.

a. While still achieving an overall rate reduction in Fox Creek's residential rate of \$206,304, provide the effect on Fox Creek's existing energy charge if the customer charge included up to 30 KWH usage.

b. Provide an updated Exhibit G and H to reflect this.

3. Explain why it would not be feasible to retain the 30 KWH as part of the customer charge until the last step of the phase-in to avoid some customers getting an increase in rates. Provide the resulting TIER if the proposed energy charge was implemented with the retention of the 30 KWH usage.

4. Reconcile test year revenues shown in Exhibit E with the operating revenues in Exhibit M.

5. Refer to Exhibit M, Page 3 of 3.

a. How did Blue Grass Energy determine that an adjusted test year TIER of 1.32 was necessary?

b. In Item 2 of a letter to the Commission's Executive Director in case No. 97-424¹ dated February 18, 1999, Blue Grass Energy stated that a TIER of 1.8 was achieved for 1998. Explain the reason for the decrease in the TIER to 1.44 for the test year.

c. How will Rural Utilities Service ("RUS") calculate the average TIER for mortgage purposes for the merged cooperative; i.e., since the merged utility does not have three years of financial statements, how will RUS decide if the utility meets the 1.5 average for the best two of the last three calendar years?

¹ Case No. 97-424, The Application of Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation for an Order Approving Consolidation of the Two (2) Named Rural Electric Cooperatives.

6. Would Blue Grass Energy consider revising its application to provide the same decrease in revenue but structure rates so that no customer has a revenue increase, or retain the proposed rate structure and absorb a larger decrease in revenue so that all customers receive a rate reduction? If yes, provide the proposed rates that would accomplish either of these objectives. In no, explain.

Done at Frankfort, Kentucky, this 1st day of October, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 21, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE)
GRASS ENERGY COOPERATIVE) CASE NO. 99-311
CORPORATION)

O R D E R

On August 25, 1999, Blue Grass Energy Cooperative Corporation ("Blue Grass") filed an application with the Commission proposing revisions to the rates and charges for residential consumers in the Fox Creek District. Blue Grass proposes that the revisions become effective on and after October 1, 1999.

Having considered the application and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed revisions.

IT IS THEREFORE ORDERED that:

1. Blue Grass's proposed rates are suspended for five months from October 1, 1999 up to and including February 29, 2000.
2. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 21st day of September, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 15, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE GRASS) CASE NO.
ENERGY COOPERATIVE CORPORATION) 99-311

O R D E R

On August 25, 1999, Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") applied to the Commission for authority to decrease the kwh rate for residential customers in the Fox Creek District in accordance with the consolidation of Blue Grass Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation, which formed the consolidated cooperative of Blue Grass Energy. In its filing, Blue Grass Energy requested permission to deviate from the following requirements of Administrative Regulation 807 KAR 5:001, Section 10:

Section 10(6)(h) requires the submission of a summary of the determination of revenue requirements; Section 10(6)(i) requires a reconciliation of rate base and capital used to determine revenue requirements; and Section 10(6)(j) requires a current chart of accounts. Section 10(6)(n) requires that a summary of the latest depreciation study with schedules by major plant accounts be submitted with the application. Section 10(6)(s) requires the submission of the Securities and Exchange Commission's ("SEC") annual report for the most recent two years, Form 10-Ks and any Form 8-Ks issued within the past two years, and Form 10-Qs issued during the past six quarters. Section 10(6)(u) requires that a cost-of-service study be submitted with the application.

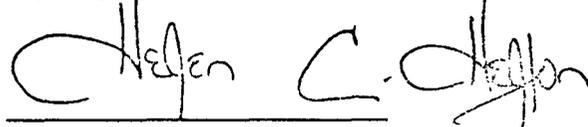
Having reviewed the filing and being otherwise sufficiently advised, the Commission finds that the information filed therein is sufficient to enable the Commission to review adequately Blue Grass Energy's filing and that its request to deviate should be granted.

IT IS THEREFORE ORDERED that Blue Grass Energy's request to deviate from the above-cited requirements of 807 KAR 5:001, Section 10, is granted.

Done at Frankfort, Kentucky, this 15th day of September, 1999.

By the Commission

ATTEST

A handwritten signature in black ink, appearing to read "C. O. O'Connell", is written over a horizontal line.

Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 30, 1999

J. Donald Smothers
& Dan Brewer
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

Honorable Ralph K. Combs
Attorney at Law
P. O. Box 129
Versailles, KY. 40383

RE: Case No. 99-311
BLUE GRASS ENERGY COOPERATIVE CORP.
(Rates - General)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received August 25, 1999 and has been assigned Case No. 99-311. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
AUG 25 1999
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

DECREASE IN RATES OF
BLUE GRASS ENERGY
COOPERATIVE CORPORATION

CASE NO. 99 - 311

APPLICATION

Comes Blue Grass Energy Cooperative Corporation (hereafter referred to as "Blue Grass" for an Application to change its retail electric power tariffs, states as follows:

1. Blue Grass is filing this Application for the purpose of requesting permission from the Commission to decrease the kwh rate for residential consumers in the Fox Creek District in accordance with the consolidation of Blue Grass Electric Cooperative and Fox Creek Rural Electric Cooperative, which formed the consolidated cooperative of Blue Grass Energy Cooperative Corporation. Blue Grass' Board of Directors have directed the management of Blue Grass to phase-in the rate decrease of the Fox Creek District over a period of years in an effort to make the rates for all residential consumers the same.
2. The full name of Blue Grass is "Blue Grass Energy Cooperative Corporation", and its address is 1201 Lexington Road, Nicholasville, Kentucky 10340, (807 KAR 5:001, Section 8(1)).
3. The Articles of Incorporation and all amendments thereto for Blue Grass were filed with the Commission in PSC Case No. 97-424, "The Application of Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation for an Order Approving Consolidation of the Two (2) Named Rural Electric Cooperatives." (807 KAR 5:001, Section 8(3)).
4. This Application is supported by a 12 month historical test period ending May 31, 1999. The only adjustments are for the reduction in revenues as a result of the decrease in the Fox Creek District residential rates. (807 KAR 5:001, Section 10(1)).
5. Blue Grass's annual reports, including the annual report for the most recent calendar year, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1). (807 KAR 5:001, Section 10(1)(a)2.)
6. Blue Grass is not a limited partnership. (807 KAR 5:001, Section 10(1)(a)4.)
7. Blue Grass has filed with this Application a Certificate of Good Standing dated within 60 days of the date of this Application. This is filed as Blue Grass's Exhibit A. (807 KAR 5:001, Section 10(1)(a)6.)

8. Blue Grass does not conduct business under an assumed name and thus no Certificate of Assumed Name is needed for this Application. (807 KAR 5:001, Section 10(1)(a)6.)
9. Blue Grass has attached the proposed tariff as Exhibit B. (807 KAR 5:001, Section 10(1)(a)7.)
10. Blue Grass has attached the present and proposed tariffs in comparative form shown as Exhibit C. (807 KAR 5:001, Section 10(1)(a)8.)
11. Blue Grass states that its members have been given notice of the filing of this Application in compliance with 807 KAR 5:001, Section 3-10(3)-(4). A copy is attached as Exhibit D. (807 KAR 5:001, Section 10(1)(a)9.)
12. Blue Grass states that it provided written notice of its intent to file this rate case (Exhibit D) at least four (4) weeks prior to filing this Application, and that the Notice of Intent stated that the Application would be supported by a historical test period, which is May 31, 1999. (807 KAR 5:001, Section 10(2). Blue Grass's reasons for filing this Application to decrease its rates and charges pursuant to the requirements of 807 KAR 5:001, Section 10(1)(s)1, are as follows:

- a. Effective January 1, 1998, Blue Grass Rural Electric Cooperative Corporation (old Blue Grass RECC) and Fox Creek Rural Electric Cooperative Corporation (old Fox Creek RECC) consolidated to form Blue Grass Energy Cooperative Corporation. As a result, there were two (2) sets of billing rates for each rate class. The Nicholasville District and the Madison District (previously old Blue Grass RECC) has one set of rates and the Fox Creek District (old Fox Creek RECC) has another set of rates. During the consolidation process the old Fox Creek RECC residential members were promised a rate reduction based on the old Blue Grass RECC residential rate as one condition of consolidation. In order to start the rate normalization process, a plan was proposed to phase in the rate differential over three (3) stages covering an estimated four (4) years. The final phase will include the preparation of a cost of service study and development of common rate structures by rate class for all of the Blue Grass districts.
- b. Blue Grass elected to phase-in the reduction in revenue over several years so that the financial stability and integrity of the consolidated entity would not be adversely impaired. Normalizing all rates at one time would create a financial hardship and burden on the margins, times interest earned ratio (TIER) and on the cash flows. The three (3) phase plan is as follows:

Phase 1 in 1999

Since the Fox Creek District's residential rate is approximately 7.4% higher than the old Blue Grass RECC districts, Blue Grass is requesting permission from the Commission to lower this rate by approximately \$206,000, or one-third (1/3) of the rate differential. Blue Grass is of the opinion that it can manage this reduction, but not the full rate differential. Blue Grass is requesting to reduce only the Fox Creek District residential rates during the initial phase because the small commercial rate differential is minimal. However, the rate structures of the industrial rates vary substantially and have signed contracts.

Blue Grass would only propose changes based upon a cost of service study. Blue Grass is proposing to make changes to the residential rates only without a cost of service study so that this Application can be prepared with a minimum of cost and analysis performed.

Phase 2 in 2000

Blue Grass would propose to lower the Fox Creek District residential rate another one-third of the rate differential if the financial conditions continue to allow the reduced margins, TIER and cash flows. The procedure would be the same as the 1999 request.

Phase 3 in 2002

Develop common rate structures for each rate class for Blue Grass based upon a cost of service study and complete the Fox Creek District residential rate reduction.

- c. Blue Grass is requesting to implement the residential rate decrease, and at the same time, propose that the Fox Creek District rate structure be developed to be consistent with the Nicholasville and Madison District residential rates.
 - d. Blue Grass' Board of Directors, at a regular meeting held on August 12, 1999, voted unanimously to implement the first phase of the rate reduction for the Fox Creek District residential rates in an amount equal to approximately \$206,000.
13. Blue Grass has included a complete description and quantified explanation for all proposed adjustments with proper support for any changes in price, no changes are proposed for activity levels, for its members with the Revenue Summary shown as Exhibit E. (807 KAR 5:001, Section 10(6)(a).)
 14. Blue Grass has included prepared testimony of each witness the utility proposes to use to support its Application. These testimonies are attached as Exhibits F-1, F-2, and F-3. (807 KAR 5:001, Section 10(6)(b).)
 15. Blue Grass has included a statement showing the effect the new rates will have upon the revenues of Blue Grass including, the total amount of revenues resulting from the decrease and the percentage of the decrease as shown in Exhibit E. (807 KAR 5:001, Section 10(6)(d).)
 16. Blue Grass has included a schedule showing the effect upon the average bill for each customer classification to which the proposed decrease will apply as Exhibit G. (807 KAR 5:001, Section 10(6)(e).)
 17. Blue Grass has included an analysis of customer's bills in such detail that revenues from present and proposed rates can be readily determined for each rate class as the Billing Analysis and is attached as Exhibit H. (807 KAR 5:001, Section 10(6)(g).)
 18. Blue Grass is requesting a waiver for providing schedules displaying its determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, since there are no proposed adjustments for expenses or revenue requirements. (807 KAR 5:001, Section 10(6)(h).)

19. Blue Grass is requesting a waiver for providing calculations of its rate base and capital used to determine its revenue requirements since there are no proposed adjustments for expenses or revenue requirements. (807 KAR 5:001, Section 10(6)(i).)
20. Blue Grass is requesting a waiver for including a current chart of accounts for the same reason as explained in Item 18. (807 KAR 5:001, Section 10(6)(j).)
21. Blue Grass has included the independent auditor's annual report as Exhibit I. (807 KAR 5:001, Section 10(6)(k).)
22. Blue Grass states that the Federal Energy Regulatory Commission or Federal Communication Commission has not conducted any audits, and therefore, no reports are available. (807 KAR 5:001, Section 10(6)(l).)
23. Blue Grass requests a waiver from providing a depreciation study for the same reason as stated in Item 18. (807 KAR 5:001, Section 10(6)(n)).
24. Blue Grass has included a list of all commercially available or in-house developed computer software programs and models used in the development of this rate application as Exhibit J. (807 KAR 5:001, Section 10(6)(o).)
25. Blue Grass has made no stock or bond offerings. (807 KAR 5:001, Section 10(6)(p).)
26. Blue Grass has attached its annual report to members for 1997 and 1996 as Exhibit K. (807 KAR 5:001, Section 10(6)(q).)
27. Blue Grass has included its monthly managerial reports providing financial results of operations for the twelve (12) months in the test period as Exhibit L. (807 KAR 5:001, Section 10(6)(r).)
28. Blue Grass requests a waiver of the requirement for filing Securities and Exchange Commission reports because Blue Grass is not regulated by the SEC. (807 KAR 5:001, Section 10(6)(s).)
29. Blue Grass has not had any amounts charged or allocated to it by an affiliate or general or home office or paid any moneys to an affiliate or general or home office during the test period or during the previous three (3) calendar years. (807 KAR 5:001, Section 10(6)(t).)
30. Blue Grass requests a waiver from including a cost of service study based on the same reasons as stated in Item 18 above. (807 KAR 5:001, Section 10(6)(u).)
31. Blue Grass states that the requirements of 807 KAR 5:001, Section 10(6)(f) and (v) are not applicable to Blue Grass.
32. Blue Grass has filed a detailed income statement and balance sheet reflecting the impact of all proposed adjustments for the historical test period as Exhibit M. (807 KAR 5:001, Section 10(7)(a).)

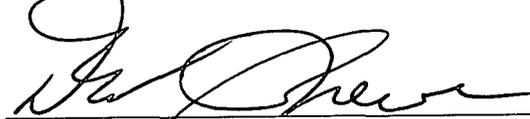
33. Blue Grass has filed in Case No. 97-285 its most recent capital construction budget. This case is styled as "The Application of Blue Grass Rural Electric Cooperative Corporation for an Order Issuing a Certificate of Convenience and Necessity" for its 1997-1999 Work Plan. (807 KAR 5:001, Section 10(7)(b).)
34. Blue Grass states that the requirements of 807 KAR 10(7)(c) are not applicable to Blue Grass.
35. Blue Grass has included the operating budget for each month of the period encompassing this filing as Exhibit N. (807 KAR 5:001, Section 10(7)(d).)
36. See paragraph number 33 herein for compliance with the requirements of 807 KAR 5:001, Section 10(7)(e).

WHEREFORE, Blue Grass requests that the Public Service Commission approve the decrease as expeditiously as possible and issue an order authorizing Blue Grass to make effective those rates.

Dated at Nicholasville, Kentucky this 16 day of August, 1999.

Respectfully submitted,

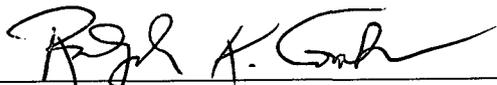
Blue Grass Energy Cooperative Corporation



Dan Brewer, President & CEO

COUNSEL:

Ralph K. Combs
Attorney at Law
PO Box 129
Versailles, Kentucky 40383



RALPH K. COMBS
Attorney for Blue Grass Energy
Cooperative Corporation

I, DAN BREWER, President & CEO of Blue Grass Energy Cooperative Corporation,
declare that the statements contained in the foregoing Application are true to the best of my
information and belief.



Dan Brewer, President & CEO
Blue Grass Energy
Cooperative Corporation

Subscribed and sworn to before me by Dan Brewer, this 16 day of August, 1999.



NOTARY PUBLIC, State at Large

My Commission Expires:

June 6, 2001



John Y. Brown III
Secretary of State

Certificate of Existence

I, JOHN Y. BROWN III, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

BLUE GRASS ENERGY COOPERATIVE CORPORATION

is a nonprofit corporation duly organized and existing under KRS Chapter 273, whose date of incorporation is January 1, 1998 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 273.3671 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 30th day of July, 1999.

John Y. Brown, III

JOHN Y. BROWN III
Secretary of State
Commonwealth of Kentucky

Tmorgan/0443651

B

For Fox Creek District
Community, Town or City
P.S.C. No. 3
1st Revision Sheet No. 58

Blue Grass Energy
Name of Issuing Corporation

Cancelling P.S.C. No. 2
Original Sheet No. 58

CLASSIFICATION OF SERVICE

SCHEDULE R RESIDENTIAL RATE
PER UNIT

Availability of Service

Available in all territory served by the Cooperative, in accordance with the Cooperative's Service Rules and Regulations.

Applicability

Applicable for residential use and for use incidental thereto supplied through one meter to each individual unit where the load requirements can be met by transformers having a capacity not to exceed 25 kVA. The capacity on individual motors served under this schedule may not exceed ten (10) horsepower.

Type of Service

Single-phase, 60 hertz, at 120/240 standard secondary voltage, or where available, three phase, 60 hertz, 4 wire 120/240 standard secondary voltage.

Monthly Rate

Customer charge (no usage)	\$5.30 per meter per month	(D) (T)
Energy Charge per kwh	0.05598	(D) (T)

Minimum Monthly

The minimum monthly charge under the above rate shall be \$.90 per KVA of transformer capacity but in no case less than \$5.30. (T)

DATE OF ISSUE August 25, 1999 DATE EFFECTIVE October 1, 1999
ISSUED BY Dan Brewer TITLE President/CEO
Name of Officer

Issued by authority of an Order of the Public Service Commission of KY in Case No. _____ dated _____.

For Fox Creek District
Community, Town or City
P.S.C. No. 3
1st Revision Sheet No. 67

Blue Grass Energy
Name of Issuing Corporation

Cancelling P.S.C. No. 2
Original Sheet No. 67

CLASSIFICATION OF SERVICE

SCHEDULE R2 RESIDENTIAL MARKETING RATE RATE
PER UNIT
Availability of Service

This special marketing rate is available for specific marketing programs as approved by Blue Grass Energy's Board of Directors. The electric power furnished under this marketing program shall be separately metered for each point of delivery and is applicable during the below listed off-peak hours. This rate is available to customers already receiving service under the Schedule R Residential Rate. This marketing rate applies only to programs which are expressly approved by the Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's Wholesale Power Rate Schedule A.

<u>Months</u>	<u>Off Peak Hours - Est</u>
May through September	10:00 p.m. to 10:00 a.m.
October through April	12:00 noon to 5:00 p.m. 10:00 p.m. to 10:00 a.m.

Rates

The energy rate for this program is as listed below.

All kwh 0.03439 (D)

Terms of Payment

In the event the current monthly bill is not paid within fifteen (15) days from the date of the bill, five percent (5%) shall be added to the bill.

DATE OF ISSUE August 25, 1999 DATE EFFECTIVE October 1, 1999

ISSUED BY Dan Brewer TITLE President/CEO
Name of Officer

Issued by authority of an Order of the Public Service Commission of KY in Case No. _____ dated _____.



90000 SERIES
10% P.C.W.

1 Blue Grass Energy Cooperative Corporation
2 Existing and Proposed Rates and Charges
3 May 31, 1999

Exhibit C
page 1
of 2

4 Witness: Donald Smothers
5 Witness: Alan Zumstein
6

7 R - Residential - Fox Creek District

8

9 Rates	Present	Proposed	Difference
10			
11 Customer charge	\$5.39	\$5.30	(\$0.09)
12 Minimum bill, first 30 kwh	\$0.00000	N/A	
13 Energy charge	\$0.05888	\$0.05598	(\$0.00290)

14

15

16 R2 - Residential Marketing Rate - Fox Creek District

17

18 Rates	Present	Proposed	Difference
19			
20 Off Peak energy charge	\$0.03533	\$0.03359	(\$0.00174)

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Blue Grass Energy Cooperative Corporation
Existing and Proposed Rates and Charges
May 31, 1999
Witness: Dan Brewer
Witness: Donald Smothers

Exhibit C
page 2
of 2

Blue Grass is proposing to phase in a reduction in the Fox Creek District rates to eliminate the differential in rates from the Nicholasville and Madison Districts in three (3) phases.

During the first phase, Blue Grass proposes to get the rate structure of Fox Creek District consistent with the Nicholasville and Madison Districts. In order to achieve this consistent rate structure, the customer charge would be changed from \$5.39 per month the \$5.30 per month. The Fox Creek District also has the first 30 kwh with no charge, this is proposed to be eliminated so there are no kwh usage without charges.

Blue Grass is of the opinion that having a rate structure that is consistent within all Districts is necessary as the first step in phasing in all rates the same for customer charge and energy charges.

D

Official Notice

Blue Grass Energy Cooperative Corporation, with its principal office at Nicholasville, Kentucky and with its address at 1201 Lexington Road, Nicholasville, Kentucky 40340, intends to file with the Kentucky Public Service Commission in Case No. 99-311 an application to adjust its retail rates and charges. This adjustment will result in a general rate decrease to the member-consumers of Blue Grass Energy Cooperative Corporation.

The rates proposed in this application are the rates proposed by Blue Grass Energy Cooperative Corporation. However, the Kentucky Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this application.

Any corporation, association, body politic or person may by motion within thirty (30) days after publication or mailing of notice of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. A copy of the application and testimony shall be available for public inspection at the utilities offices.

The amount and percent of decrease are listed below:

RATE CLASS	DECREASE	
	DOLLAR	PERCENT
Schedule R - Residential		
Fox Creek District	(\$205,975)	-2.5%
Schedule R2 - Residential Marketing		
Fox Creek District	(\$235)	-2.6%

The effect of the proposed rates on the average monthly bill by rate class are listed below:

RATE CLASS	DECREASE	
	DOLLAR	PERCENT
Schedule R - Residential		
Fox Creek District	(\$1.56)	-2.3%
Schedule R2 - Residential Marketing		
Fox Creek District	(\$1.25)	-5.2%

The present and proposed rate structure of Blue Grass Energy Cooperative Corporation are listed below:

RATE CLASS	PRESENT	PROPOSED
Schedule R - Residential		
Fox Creek District		
Customer charge	\$5.39	\$5.30
Minimum bill, first 30 kwh per mon	\$0.00000	N/A
Energy charge per kwh	\$0.05888	\$0.05598
Schedule R2 - Residential Marketing		
Fox Creek District		
Energy charge per kwh	\$0.03533	\$0.03359

Blue Grass Energy
Cooperative Corporation

“A RESOLUTION OF THE BOARD OF DIRECTORS OF BLUE GRASS ENERGY COOPERATIVE CORPORATION AUTHORIZING AND DIRECTING ITS PRESIDENT & CEO TO FILE WITH THE KENTUCKY PUBLIC SERVICE COMMISSION A RESIDENTIAL RATE REDUCTION FOR THE FOX CREEK DISTRICT OF APPROXIMATELY \$206,000.”

Whereas, Blue Grass Energy Cooperative Corporation (Blue Grass Energy) formerly Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation consolidated January 1, 1998,

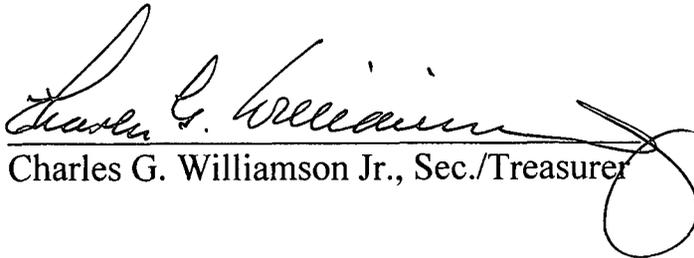
Whereas, it is of the opinion of the Board of Directors of Blue Grass Energy to start the rate normalization process as a result of the consolidation,

Whereas, the Board of Directors of Blue Grass Energy authorizes and directs its President & CEO, Dan Brewer, to file with the Kentucky Public Service Commission the first phase of the rate normalization process, a residential rate decrease for the Fox Creek District in the amount of approximately \$206,000,

Be it therefore resolved that this resolution was properly authorized and adopted on behalf of Blue Grass Energy by the Board of Directors during the regular monthly Board of Directors meeting held August 12, 1999.



E. A. Gilbert, Chairman



Charles G. Williamson Jr., Sec./Treasurer



**Blue Grass Energy
Cooperative Corporation**

PO Box 990
1201 Lexington Road
Nicholasville, Kentucky 40340-0990
Phone: (606) 885-4191
Fax: (606) 885-2854

July 13, 1999

Helen C. Helton Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort Kentucky 40602

Dear Ms. Helton,

This is to advise, in accordance with the Commission's Administrative Regulation 807 KAR 5:001, Section 11(2), that on or about August 13, 1999, Blue Grass Energy Cooperative Corporation intends to file an application for a decrease in its Fox Creek District Residential Rates. This is in accordance with our consolidation of Fox Creek RECC and Blue Grass RECC effective January 1, 1998 forming Blue Grass Energy. Since there will be no revenue or expense adjustments, Blue Grass Energy request the decrease rates to be placed in effect 20 days after the filing.

If there are any questions concerning this matter, please call me at (606) 885-4192 ext. 118. Thank you.

Sincerely,

J. Donald Smothers
Vice President, Financial Services

Copy to:

Attorney General
Utility Intervention and Rate Division





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 27, 1999

J. Donald Smothers
Vice President, Financial Services
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

RE: Case No. 99-311
BLUE GRASS ENERGY COOPERATIVE CORP.
(Rates - General)

This letter is to acknowledge receipt of notice of intent to file a rate application in the above case. The notice was date-stamped received on July 14, 1999 and has been assigned Case No. 99-311. In all future correspondence or filings made in connection with this case, please reference the above case number.

If I can be of any help on procedural matters, please feel free to contact me at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc



90000 SERIES
10% P.C.W.

E

Blue Grass Energy
Revenue Analysis

31-May-99

Witness: Donald Smothers
Witness: Alan Zumstein

Exhibit E
Page 1
of 1

Rate Schedule	Kwh Usage	Test Year Revenue	Percent of Total	Effective June 1, 1999 Normalized Revenue	Proposed Revenue	Decrease	
						Amount	Percent
Schedule R - Residential (Fox Creek District)	134,499,188	\$8,274,816	22.7%	\$8,387,643	\$8,181,339	-\$206,304	-2.5%
Schedule R2 - Residential Marketing Rate (Fox Creek District)	250,090	\$8,804	0.0%	\$8,934	\$8,699	-\$235	-2.6%
Schedule GS-1 Residential, Farm and Non-Farm (Nicholasville & Madison Districts)	298,164,056	\$16,837,280	46.2%	N/A	N/A		
Schedule GS-2 Off-Peak Retail Marketing Rate (Nicholasville & Madison Districts)	702,835	\$21,968	0.1%	N/A	N/A		
Schedule C-1 Commercial and Industrial Lighting & Power (Nicholasville & Madison Districts)	25,671,739	\$1,739,852	4.8%	N/A	N/A		
Schedule C Commercial and Small Power (Fox Creek District)	5,763,624	\$384,938	1.1%	N/A	N/A		
Schedule LP-1 Large Power (Nicholasville & Madison Districts)	37,805,364	\$1,841,422	5.0%	N/A	N/A		
Schedule LP-2 Large Power (Nicholasville & Madison Districts)	130,040,688	\$5,029,660	13.8%	N/A	N/A		
Schedule L Large Power Service (50 to 200 kw) (Fox Creek District)	2,238,779	\$147,336	0.4%	N/A	N/A		
Schedule M Commercial & Industrial Power Service (201-500) (Fox Creek District)	4,480	\$9,973	0.0%	N/A	N/A		
Schedule N Industrial & Large Commercial (over 500) (Fox Creek District)	6,449,824	\$275,018	0.8%	N/A	N/A		
Schedule B-2 Large Industrial Rate (Nicholasville & Madison Districts)	24,904,800	\$833,680	2.3%	N/A	N/A		
Schedule B1 Large Industrial Rate (Fox Creek District)	17,532,000	\$565,358	1.6%	N/A	N/A		
Security Lights (Nicholasville & Madison Districts)	2189277	\$227,952	0.6%	N/A	N/A		
Security Lights (Fox Creek District)	1296966	\$163,027	0.4%	N/A	N/A		
Street Lights (Nicholasville & Madison Districts)	607094	\$109,832	0.3%	N/A	N/A		
Total from base rates	<u>688,120,804</u>	<u>\$36,470,916</u>	100.0%	<u>\$8,396,571</u>	<u>\$8,190,038</u>	<u>-\$206,539</u>	<u>-2.5%</u>
Fuel		<u>-\$1,841,781</u>					
Total Revenue from Books Decrease		<u>\$34,629,135</u>				<u>-\$206,539</u>	

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

**ADJUSTMENT OF RATES FOR
BLUE GRASS ENERGY COOPERATIVE
CORPORATION'S FOX CREEK DISTRICT**

CASE NO. 99-311

PREPARED TESTIMONY OF DAN BREWER

- Q1. Would you please state your name and business address?
- A1. Daniel Brewer, business address is P O Box 990, 1201 Lexington Road, Nicholasville, Kentucky 40356.
- Q2. What is your occupation?
- A2. President and CEO of Blue Grass Energy Cooperative Corporation (Blue Grass Energy).
- Q3. How long have you been employed at Blue Grass Energy?
- A3. I was employed at Blue Grass Energy as General Manager in February 1992. After that my title was changed to President and CEO.
- Q4. Have you appeared before the Public Service Commission and given testimony in electric rate cases?
- A4. Yes, I have.
- Q5. Mr. Brewer, are you familiar with the contents of the Notice Application of Blue Grass Energy which has been filed with this Commission to commence this case?
- A5. Yes, I am.
- Q6. Please state whether the statements of facts contained in this Notice are true.
- A6. Yes, to the best of my knowledge and belief the statements of facts contained in this application are true.
- Q7. Mr. Brewer, are you familiar with the exhibits which are filed with and form a part of the Notice Application of this Case?
- A7. Yes, I worked with Alan Zumstein, Certified Public Accountant, and with members of Blue Grass Energy Staff in the preparation of these exhibits, and am familiar with them. And in my opinion, the factual material contained in these is correct.
- Q8. What is the purpose of this Notice of Application of Blue Grass energy to this Commission?

A8. To start the rate normalization process in accordance with the consolidation of Blue Grass RECC and Fox Creek RECC by reducing the Residential Rate of the Fox Creek District 1/3 of the rate differential. This is the first phase in the reduction of the Fox Creek District residential rate to the Nicholasville/Madison Districts residential rate.

Q9. What considerations were given to decrease the residential rate of the Fox Creek District?

A9. As a result of the consolidation of Blue Grass RECC and Fox Creek RECC, forming Blue Grass Energy Cooperative Corporation, effective January 1, 1998 we had two sets of billing rates for each rate class. One set is for the Madison District and Nicholasville area (old Blue Grass RECC) and other for the Fox Creek District (old Fox Creek RECC). During the consolidation process the Fox Creek RECC residential members were promised a rate reduction based on the Blue Grass RECC residential rate as one condition of consolidation. In order to start the rate normalization process a plan was proposed to phase in the rate differential over 3 stages covering an estimated 4 years. The final phase will include the preparation of a cost of service study and development of common rate structures by rate class for the total Blue Grass Energy Coop. The main reason for phases is to eliminate the hardship the reduction in revenue will have on our margins, TIER and cash flow. Normalizing all rates at one time would create a financial hardship on the organization. Our 3-phase plan is as follows:

Phase 1 in 1999:

Since Fox Creek's District residential rate is approximately 7.4% higher than the old Blue Grass area, we are suggesting to lower this rate approximately \$206,000 or 1/3 of the rate differential. We feel our margins can manage this reduction but not the full rate differential. We are requesting reducing only the Fox Creek residential rate at this time because the small commercial rate differential is minimal (approximately 1%) and the rate structure of the industrial rates vary substantially with signed contracts. To adjust any industrial rate a cost of service study is needed for the development of new rate structures. We are proposing to make this filing adjustment with minimal analysis and no cost of service to keep costs to a minimum.

Phase 2 in 2000:

Lower the Fox Creek District residential rate another 1/3 of the rate differential if the financial conditions continue to allow the reduced margins and adjusted TIER. The procedure would be the same as in 1999.

Phase 3 in 2002:

Prepared a Cost of Service Study, develop common rate structures for each rate class for Blue Grass Energy and complete the Fox Creek District residential rate reduction.

Q10. What is the Test Year used by Blue Grass Energy for its financial data complied to the Commission in this Case?

A10. The twelve months ending May 1999 was selected as the Test Year.

Q11. Were there any proposed adjustments to normalize Revenue and Expenses?

A11. No, the purpose of this filing is only to reduce the Fox Creek District residential rate.

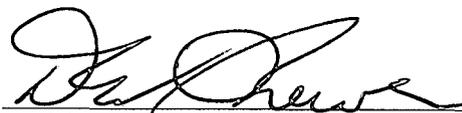
Q12. Is there any rate structure changes in this application?

A12. Yes, we changed the customer charge to reflect the other districts charge. This would provide some consistency between the districts in the residential rate.

Q13. Does this conclude your testimony in this Case?

A13. Yes, it does.

Affiant, Daniel Brewer, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.



Daniel Brewer

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

**ADJUSTMENT OF RATES FOR
BLUE GRASS ENERGY COOPERATIVE
CORPORATION'S FOX CREEK DISTRICT**

CASE NO. 99-311

PREPARED TESTIMONY OF DONALD SMOTHERS

- Q1. Would you please state your name and business address?
- A1. Donald Smothers, business address is P O Box 990, 1201 Lexington Road, Nicholasville, Kentucky 40356.
- Q2. What is your occupation?
- A2. Vice President, Financial Services of Blue Grass Energy Cooperative Corporation (Blue Grass Energy).
- Q3. How long have you been employed at Blue Grass Energy?
- A3. I was employed at Blue Grass RECC February 1980 as staff accountant. In 1985 I was promoted to Office Manager. My title has since been changed to Vice President, Financial Services.
- Q4. Mr. Smothers, are you familiar with the contents of the Notice Application of Blue Grass Energy which has been filed with this Commission to commence this case?
- A4. Yes, I am.
- Q6. Please state whether the statements of facts contained in this Notice are true.
- A6. Yes, to the best of my knowledge and belief the statements of facts contained in this application are true.
- Q7. Mr. Smothers, are you familiar with the exhibits which are filed with and form a part of the Notice Application of this Case?
- A7. Yes, I worked with Alan Zumstein, Certified Public Accountant, and other members of Blue Grass Energy Staff in the preparation of these exhibits, and am familiar with them. And in my opinion, the factual material contained in these is correct.
- Q8. What is the purpose of this Notice of Application of Blue Grass energy to this Commission?
- A8. To start the rate normalization process in accordance with the consolidation of Blue Grass RECC and Fox Creek RECC by reducing the Residential Rate of the Fox Creek District 1/3 of the rate

differential. This is the first phase in the reduction of the Fox Creek District residential rate to the Nicholasville/Madison Districts residential rate.

Q9. What considerations were given to decrease the residential rate of the Fox Creek District?

A9. As a result of the consolidation of Blue Grass RECC and Fox Creek RECC, forming Blue Grass Energy Cooperative Corporation, effective January 1, 1998 we had two sets of billing rates for each rate class. One set is for the Madison District and Nicholasville area (old Blue Grass RECC) and other for the Fox Creek District (old Fox Creek RECC). During the consolidation process the Fox Creek RECC residential members were promised a rate reduction based on the Blue Grass RECC residential rate as one condition of consolidation. In order to start the rate normalization process a plan was proposed to phase in the rate differential over 3 stages covering an estimated 4 years. The final phase will include the preparation of a cost of service study and development of common rate structures by rate class for the total Blue Grass Energy Coop. The main reason for phases is to eliminate the hardship the reduction in revenue will have on our margins, TIER and cash flow. Normalizing all rates at one time would create a financial hardship on the organization. Our 3-phase plan is as follows:

Phase 1 in 1999:

Since Fox Creek's District residential rate is approximately 7.4% higher than the old Blue Grass area, we are suggesting to lower this rate approximately \$206,000 or 1/3 of the rate differential. We feel our margins can manage this reduction but not the full rate differential. We are requesting reducing only the Fox Creek residential rate at this time because the small commercial rate differential is minimal (approximately 1%) and the rate structure of the industrial rates vary substantially with signed contracts. To adjust any industrial rate a cost of service study is needed for the development of new rate structures. We are proposing to make this filing adjustment with minimal analysis and no cost of service to keep costs to a minimum.

Phase 2 in 2000:

Lower the Fox Creek District residential rate another 1/3 of the rate differential if the financial conditions continue to allow the reduced margins and adjusted TIER. The procedure would be the same as in 1999.

Phase 3 in 2002:

Prepared a Cost of Service Study, develop common rate structures for each rate class for Blue Grass Energy and complete the Fox Creek District residential rate reduction.

Q10. What is the Test Year used by Blue Grass Energy for its financial data compiled to the Commission in this Case?

A10. The twelve months ending May 1999 was selected as the Test Year.

Q11. Were there any proposed adjustments to normalize Revenue and Expenses?

A11. No, the purpose of this filing is only to reduce the Fox Creek District residential rate.

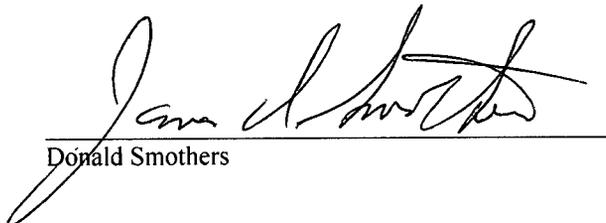
Q12. Is there any rate structure changes in this application?

A12. Yes, we changed the customer charge to reflect the other districts charge. This would provide some consistency between the districts in the residential rate.

Q13. Does this conclude your testimony in this Case?

A13. Yes, it does.

Affiant, Donald Smothers, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.



Donald Smothers

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF
BLUE GRASS ENERGY
COOPERATIVE CORPORATION

CASE NO. 99 - 311

PREPARED TESTIMONY OF ALAN M. ZUMSTEIN

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15
16 Q1. Would you please state your name, residence and occupation.
17
18 A1. Alan M. Zumstein, Floyds Knobs, Indiana. I am a self-employed Certified
19 Public Accountant. My address is 204 Book Road, Floyds Knobs, Indiana
20 47119.
21
22 Q2. How long have you been practicing your profession?
23
24 A2. I have been self-employed for approximately fifteen years. Prior to that, I was
25 employed by a local CPA firm for approximately six years.
26
27 Q3. Are you familiar with accounting work and accounting procedures for rural
28 electric cooperatives.
29
30 A3. Yes. I have had much prior experience in electric cooperative accounting
31 and have done accounting work in the preparation of rate cases for electric
32 cooperatives for presentation to the Public Service Commission.
33
34 Q4. Have you appeared before the Kentucky Public Service Commission and
35 given testimony in electric cooperative cases?
36
37 A4. Yes, I have.
38
39 Q5. Did you prepare or assist in the preparation of the financial exhibits for Blue
40 Grass filed with its Notice Application in this case?
41
42 A5. Yes.
43
44 Q6. What is the purpose for this rate filing?
45

1 A6. To reduce the residential rates for the Fox Creek District in accordance with
2 the consolidation of Blue Grass Rural Electric Cooperative and Fox Creek
3 Rural Electric Cooperative Corporation forming Blue Grass Energy Cooperative
4 Corporation. This was filed with this Commission in Case No. 97-424.

5
6 Q7. What considerations were given to decrease the residential rates for the Fox
7 Creek District?

8
9 A7. Effective with the consolidation of Blue Grass RECC and Fox Creek RECC,
10 one of the conditions of consolidation was that the residential rates would be
11 reduced for Fox Creek members. The decrease will be phased in over
12 several years to minimize the financial impact in any one year.

13
14 Revenues were normalized for rates that were effective in connection with a
15 flow through of East Kentucky Power Cooperative's decrease in rates as of
16 June 1, 1999 for the Fox Creek District's residential and marketing rates. The
17 revenues for other classes of revenues was not normalized, as there were no
18 proposed changes for those classifications of revenues.

19
20 There were no proposed adjustments to any of the expense accounts for the
21 Test year used of May 31, 1999.

22
23 The effect on the reduction in margins and TIER as a result of the proposed
24 reduction in the Fox Creek District is to reduce margins in the amount of
25 \$206,210, which is one-third (1/3) of the total reduction of \$617,872 for the
26 residential rates and \$895 for the marketing rate.

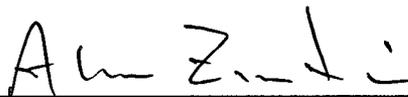
27
28 Q8. How was the proposed decrease in revenues of \$206,210 allocated to rates?

29
30 A8. Blue Grass elected to reduce the rates for the Fox Creek District residential
31 and marketing rates. The customer charge was proposed to be the same for
32 all districts for residential rates.

33
34 Q11. Does this conclude your testimony in this case?

35
36 A11. Yes, it does.

37
38 Affiant, ALAN M. ZUMSTEIN, states that the answers given by him
39 to the foregoing questions are true and correct to the best of his
40 knowledge and belief.

41
42
43 
44 _____
45 Alan M. Zumstein

1 Blue Grass Energy Cooperative Corporation
 2 **Effect on Average Use**
 3 May 31, 1999
 4 Witness: Donald Smothers
 5 Witness: Alan Zumstein

Exhibit G
 page 1
 of 2

6
 7 R - Residential - Fox Creek District

	Present	Proposed
8 Customer charge	\$5.39	\$5.30
9 Minimum bill, first 30 kwh	\$0.00000	N/A
10 Energy charge	\$0.05888	\$0.05598

14	kwh Usage	Existing Rate	Proposed Rate	Increase Amount	Percent
15					
16					
17	0	\$5.39	\$5.30	(\$0.09)	-1.7%
18	25	5.39	6.70	1.31	19.5%
19	50	6.57	8.10	1.53	18.9%
20	100	9.51	10.90	1.39	12.7%
21	150	12.46	13.70	1.24	9.1%
22	200	15.40	16.50	1.10	6.6%
23	250	18.34	19.30	0.95	4.9%
24	300	21.29	22.09	0.81	3.6%
25	350	24.23	24.89	0.66	2.7%
26	400	27.18	27.69	0.52	1.9%
27	450	30.12	30.49	0.37	1.2%
28	500	33.06	33.29	0.23	0.7%
29	550	36.01	36.09	0.08	0.2%
30	600	38.95	38.89	(0.06)	-0.2%
31	650	41.90	41.69	(0.21)	-0.5%
32	700	44.84	44.49	(0.35)	-0.8%
33	750	47.78	47.29	(0.50)	-1.1%
34	800	50.73	50.08	(0.64)	-1.3%
35	850	53.67	52.88	(0.79)	-1.5%
36	900	56.62	55.68	(0.93)	-1.7%
37	950	59.56	58.48	(1.08)	-1.8%
38	1,000	62.50	61.28	(1.22)	-2.0%
39	1,050	65.45	64.08	(1.37)	-2.1%
40	1,100	68.39	66.88	(1.51)	-2.3%
41	1,150	71.34	69.68	(1.66)	-2.4%
42	1,200	74.28	72.48	(1.80)	-2.5%
43	1,250	77.22	75.28	(1.95)	-2.6%
44	1,300	80.17	78.07	(2.09)	-2.7%
45	1,350	83.11	80.87	(2.24)	-2.8%
46	1,400	86.06	83.67	(2.38)	-2.8%
47	1,450	89.00	86.47	(2.53)	-2.9%
48					
49	1,116	69.33	67.77	(1.56)	-2.3%

50
 51 The average monthly useage is 1,116 kwh.
 52

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Blue Grass Energy Cooperative Corporation
Effect on Average Use
May 31, 1999
Witness: Donald Smothers
Witness: Alan Zumstein

Exhibit G
page 2
of 2

R2 - Residential Marketing Rate - Fox Creek District

Rates	Present	Proposed		
	Existing Rate	Proposed Rate	Increase Amount	Percent
Off Peak energy charge	\$0.03533	\$0.03359		
kwh Useage				
716	\$25.30	\$24.05	(\$1.25)	-5.2%

The average monthly useage is 716 kwh.

I

Blue Grass Energy
Billing analysis

Exhibit H
Page 1
of 2

Schedule R
Residential - Fox Creek District

Billing Determinants	Number	Actual		Normalized		Nicholasville & Madison Districts		Proposed	
		Rate	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	<u>120,468</u>	\$5.39	\$649,323	\$5.39	\$649,323	\$5.30	\$638,480	5.3	\$638,480
Minimum bill first 30 kwh per mo	3,304,778			\$0.05292	\$174,889				
Energy charge per KWH	<u>131,194.410</u>	\$0.05802	\$7,611,900	\$0.05888	\$7,724,727	\$0.05292	\$6,942,808		\$0
Total KWH	<u>134,499,188</u>							\$0.05598	\$7,529,265
Billing adjustments			\$13,594		\$13,594		\$13,594		\$13,594
Total from base rates			\$8,274,816		<u>\$8,387,643</u>		<u>\$7,769,771</u>		<u>\$8,181,339</u>
Fuel Adjustment			<u>-\$365,171</u>						
Total Revenues			<u>\$7,909,645</u>						
Amount of Change					\$112,827		-\$617,872		-\$206,304
Percent of change					1.4%		-7.4%		-2.5%
Amount of change requested					1/3 of differential		-\$205,957		
Percent of change requested							-2.5%		

Schedule R2
Residential Marketing Rate - Fox Creek District

Billing Determinants	Number	Actual		Normalized		Nicholasville & Madison Districts		Proposed	
		Rate	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	<u>349</u>								
Energy charge per KWH	<u>250,090</u>	\$0.03481	\$8,706	\$0.03533	\$8,836	\$0.03175	\$7,940	\$0.03439	\$8,601
Total KWH	<u>250,090</u>								
Billing adjustments			<u>\$98</u>		<u>\$98</u>		<u>98</u>		<u>98</u>
Total from base rates			\$8,804		<u>\$8,934</u>		<u>\$8,038</u>		<u>\$8,699</u>
Fuel Adjustment			<u>-\$669</u>						
Total Revenues			<u>\$8,135</u>						
Amount of Change					\$130		-\$895		-\$235
Percent of change					1.5%		-10.0%		-2.6%
Amount of change requested						1/3 of differential	-\$298		
Percent of change requested							-3.3%		

Kentucky 64 Jessamine
BLUE GRASS ENERGY COOPERATIVE
Nicholasville, Kentucky

REPORT ON AUDITS OF FINANCIAL STATEMENTS

for the years ended April 30, 1999 and 1998

ALAN M. ZUMSTEIN
Certified Public Accountant
204 Book Road
Floyds Knobs, Indiana 47119

CONTENTS

Independent Auditors' Report	1
Report on Compliance and Internal Control Over Financial Reporting	2 - 3
Financial Statements:	
Balance Sheets	4
Statements of Revenue and Patronage Capital	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

204 BOOK ROAD
FLOYDS KNOBS, INDIANA 47119
(812) 923-7688

MEMBER:
AMERICAN INSTITUTE OF CPA'S
INDIANA SOCIETY OF CPA'S
KENTUCKY SOCIETY OF CPA'S
AICPA DIVISION FOR FIRMS

Board of Directors
Blue Grass Energy Cooperative Corporation
1201 Lexington Road
Nicholasville, Kentucky 40340

Independent Auditor's Report

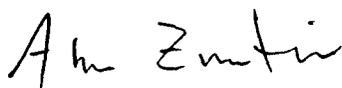
I have audited the balance sheets of Blue Grass Energy Cooperative Corporation as of April 30, 1999 and 1998, and the related statements income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Blue Grass Energy Cooperative Corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Grass Energy Cooperative Corporation as of April 30, 1999 and 1998, and the results of operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated July 2, 1999, on my consideration of Blue Grass Energy Cooperative Corporation's internal control over financial reporting and on its compliance with laws and regulations.



Alan M. Zumstein
July 2, 1999

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

204 BOOK ROAD
FLOYDS KNOBS, INDIANA 47119
(812) 923-7688

MEMBER:
AMERICAN INSTITUTE OF CPA'S
INDIANA SOCIETY OF CPA'S
KENTUCKY SOCIETY OF CPA'S
AICPA DIVISION FOR FIRMS

Board of Directors
Blue Grass Energy Cooperative Corporation
1201 Lexington Road
Nicholasville, Kentucky 40340

I have audited the financial statements of Blue Grass Energy Cooperative Corporation as of and for the years ended April 30, 1999 and 1998, and have issued my report thereon dated July 2, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Blue Grass Energy Cooperative Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Blue Grass Energy Cooperative Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Board of Directors
Blue Grass Energy Cooperative Corporation
page two

This report is intended for the information of the audit committee, management, the Rural Utilities Service and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.



Alan M. Zumstein
July 2, 1999

Balance Sheets, April 30, 1999 and 1998

<u>Assets</u>	<u>1999</u>	<u>1998</u>
Electric Plant, at original cost (Note 1):		
In service	\$70,572,524	\$65,256,291
Under construction	525,786	568,134
	<u>71,098,310</u>	<u>65,824,425</u>
Less accumulated depreciation	16,021,187	15,134,866
	<u>55,077,123</u>	<u>50,689,559</u>
Investments, at cost (Note 2)	<u>7,197,333</u>	<u>7,113,824</u>
Current Assets:		
Cash and cash equivalents	518,856	652,870
Accounts receivable, less allowance for 1999 of \$153,623 and 1998 of \$157,485	1,207,622	1,107,976
Other receivables	404,287	354,874
Material and supplies, at average cost	484,047	651,038
Other current assets	231,300	219,757
	<u>2,846,112</u>	<u>2,986,515</u>
Deferred Assets (Note 3)	<u>235,308</u>	<u>389,527</u>
Total (Note 6)	<u>\$65,355,876</u>	<u>\$61,179,425</u>
<u>Members' Equities and Liabilities</u>		
Members' Equities:		
Memberships	\$703,335	\$683,688
Patronage capital (Note 4)	22,600,304	23,474,950
Other equities (Note 5)	162,941	(456,775)
	<u>23,466,580</u>	<u>23,701,863</u>
Long Term Debt (Note 6)	<u>33,164,928</u>	<u>27,003,892</u>
Accumulated Postretirement Benefits (Note 8)	<u>1,991,953</u>	<u>1,919,897</u>
Current Liabilities:		
Current portion of long term debt	860,000	850,000
Short term borrowings (Note 7)	1,225,000	3,265,000
Accounts payable	2,815,794	2,272,560
Consumer deposits	534,485	540,131
Accrued expenses	1,098,750	1,434,387
	<u>6,534,029</u>	<u>8,362,078</u>
Consumer Advances	<u>198,386</u>	<u>191,695</u>
Total	<u>\$65,355,876</u>	<u>\$61,179,425</u>

The accompanying notes are an integral part of the financial statements.

Statements of Revenue and Patronage Capital

for the years ended April 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating Revenues	35,391,168	32,860,890
Operating Expenses:		
Cost of power	23,903,285	21,727,641
Distribution - operations	1,062,343	1,023,146
Distribution - maintenance	1,986,640	1,863,381
Consumer accounts	1,091,596	1,156,912
Customer services	60,756	99,914
Sales	528,970	489,524
Administrative and general	1,912,234	1,991,379
Depreciation, excluding \$199,587 in 1999 and \$227,830 in 1998 charged to clearing accounts	2,096,912	2,171,349
Taxes	6,254	5,573
Other deductions	37,129	134,054
	<u>32,686,119</u>	<u>30,662,873</u>
Operating margins before interest charges	<u>2,705,049</u>	<u>2,198,017</u>
Interest Charges:		
Long-term debt	1,644,366	1,541,208
Other	291,409	158,651
	<u>1,935,775</u>	<u>1,699,859</u>
Operating margins after interest charges	<u>769,274</u>	<u>498,158</u>
Patronage Capital Credits	<u>150,453</u>	<u>98,783</u>
Net Operating Margins	<u>919,727</u>	<u>596,941</u>
Nonoperating Margins		
Interest income	75,837	66,026
Others	12,877	(70,212)
	<u>88,714</u>	<u>(4,186)</u>
Net Margins	1,008,441	592,755
Patronage Capital, beginning of year	23,474,950	22,945,399
Refund of patronage capital to members	(1,602,427)	-
Refunds to estates of deceased members	(151,547)	(147,364)
Transfers to prior year's deficits and other equities	(129,113)	84,160
Patronage Capital, end of year	<u>\$22,600,304</u>	<u>\$23,474,950</u>

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

for the years ended April 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash Flows from Operating Activities:		
Net margins	\$1,008,441	\$592,755
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation:		
Charged to expense	2,096,912	2,171,349
Charged to clearing accounts	199,587	227,830
Patronage capital credits assigned	(150,453)	(98,783)
Accumulated postretirement benefits	72,056	165,218
Other nonoperating margins	-	133,765
Change in assets and liabilities:		
Receivables	(149,059)	77,680
Material and supplies	166,991	(198,926)
Other assets	142,676	(212,844)
Payables	543,234	(79,711)
Consumer deposits and advances	1,045	18,208
Accrued expenses	(335,637)	364,494
	<u>3,595,793</u>	<u>3,161,035</u>
Cash Flows from Investing Activities:		
Plant additions, including removal costs	(6,767,335)	(6,180,825)
Salvage recovered from retired plant	83,272	85,856
Receipts from other investments, net	66,944	78,632
	<u>(6,617,119)</u>	<u>(6,016,337)</u>
Cash Flows from Financing Activities:		
Payments on long term debt	(828,964)	(824,763)
Advances of long term debt	7,000,000	466,500
Short term borrowings	(2,040,000)	3,265,000
Net increase in memberships	19,647	9,048
Refund of patronage capital to members	(1,753,974)	(147,364)
Increase in other equities	490,603	47,829
	<u>2,887,312</u>	<u>2,816,250</u>
Net increase in cash	(134,014)	(39,052)
Cash and cash equivalents, beginning of year	<u>652,870</u>	<u>691,922</u>
Cash and cash equivalents, end of year	<u>\$518,856</u>	<u>\$652,870</u>
Supplemental cash flows information:		
Interest paid on long-term debt	\$1,645,756	\$1,556,591

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Blue Grass Energy maintains its records in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with generally accepted accounting principles. The more significant of these policies are as follows:

Electric Plant

Electric plant is stated at original cost, less contributions, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead costs. There was no interest required to be capitalized on construction for the year.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The cost of units of property replaced or retired, including cost of removal net of any salvage value, is charged to accumulated depreciation for distribution plant. Gain or loss is recognized on removal of general plant items.

The major classifications of electric plant in service consisted of:

	<u>1999</u>	<u>1998</u>
Distribution plant	\$62,531,790	\$57,422,978
General plant	<u>8,040,734</u>	<u>7,833,313</u>
Total	<u>\$70,572,524</u>	<u>\$65,256,291</u>

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Blue Grass Energy uses a composite depreciation rate of 3.03% per annum for distribution plant. General plant depreciation rates are as follows:

Structures and improvements	1.82%
Office furniture and fixtures	2.50%
Transportation equipment	5-15%
Communication equipment	4%
Other general plant	3.33-5.29%

Revenue

Revenue is recorded as billed to consumers, based on monthly meter reading cycles. Blue Grass Energy's sales are concentrated in a thirteen county area of central Kentucky. There were no customers whose individual account balance exceeded 10% of outstanding accounts receivable at April 30, 1999 or 1998.

Continued

1. Summary of Significant Accounting Policies, continued**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Purchase Power

The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky Power Cooperative, Inc. (East Kentucky).

Statement of Cash Flows

For purposes of the statement of cash flows, Blue Grass Energy considers temporary investments having a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Financial instruments include cash, temporary investments and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent non transferable interest in associated organizations.

The carrying value of cash and temporary investments approximates fair value because of the short maturity of those instruments. The fair value of long term debt approximates the fair value because of the borrowing policies of Blue Grass Energy.

Off Balance Sheet Risk

Blue Grass Energy has off-balance sheet risk in that at certain times of the month they have cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC).

2. Investments in Associated Organizations

Blue Grass Energy records patronage capital assigned by associated organizations in the year in which such assignments are received.

The Capital Term Certificates (CTCs) of National Rural Utilities Cooperative Finance Corporation (NRUCFC) are recorded at cost. The CTCs were purchased from NRUCFC as a condition of obtaining long-term financing. The CTCs bear interest at 0%, 3% and 4% and are scheduled to mature at varying times from 2020 to 2080.

Continued

Notes to Financial Statements, continued

2. Investments in Associated Organizations, continued

Investments in associated organizations consisted of:

	<u>1999</u>	<u>1998</u>
East Kentucky:		
Patronage capital assigned and membership	\$5,120,984	\$5,120,984
National Rural Utilities Cooperative		
Finance Corporation:		
Capital Term Certificates	1,140,725	1,140,725
Patronage capital assigned and membership	297,034	306,878
Other associated organizations	<u>638,590</u>	<u>545,237</u>
 Total	 <u>\$7,197,333</u>	 <u>\$7,113,824</u>

3. Deferred Assets

Deferred assets consisted of:

	<u>1999</u>	<u>1998</u>
Unamortized debt expense	\$50,964	\$114,331
Early retirement incentive	177,656	260,559
Others	<u>6,688</u>	<u>14,637</u>
 Total	 <u>\$235,308</u>	 <u>\$389,527</u>

4. Patronage Capital

Under provisions of the long term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 40% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25% of net margins for the next preceding year, Blue Grass Energy may distribute the difference between 25% and the payments made to such estates. The equities and margins of Blue Grass Energy represent 36% of the total assets at April 30, 1999.

Patronage capital consisted of:

	<u>1999</u>	<u>1998</u>
Assigned	\$29,005,666	\$27,848,332
Assignable	1,337,944	1,561,286
Retired to date	(7,902,305)	(6,093,667)
Unassigned	<u>158,999</u>	<u>158,999</u>
 Total	 <u>\$22,600,304</u>	 <u>\$23,474,950</u>

Continued

5. Other Equities

Other equities consisted of:

	<u>1999</u>	<u>1998</u>
Donated capital	\$51,216	\$51,216
Retired capital credit gains	1,318,080	772,813
Prior years' deficits	(1,214,736)	(1,289,185)
Capital credit gains and losses	<u>8,381</u>	<u>8,381</u>
Total	<u>\$162,941</u>	<u>(\$456,775)</u>

Non operating margins of Blue Grass Energy are used to offset the prior years' deficits.

6. Long Term Debt

All assets, except vehicles, are pledged as collateral on the long term debt to United States of America (RUS) and NRUCFC under a joint mortgage agreement. Long term debt consisted of:

	<u>1999</u>	<u>1998</u>
First mortgage notes due RUS:		
2%	\$473,785	\$574,290
3.12% to 5.75%	<u>25,105,107</u>	<u>18,609,537</u>
	<u>25,578,892</u>	<u>19,183,827</u>
First mortgage notes due NRUCFC:		
7%	140,064	305,025
6.80% to 7.25%	8,225,794	1,033,156
6.45% variable rate in 1998	<u>-</u>	<u>7,234,415</u>
	<u>8,365,858</u>	<u>8,572,596</u>
Due NRECA, past service costs at 8%	<u>80,178</u>	<u>97,469</u>
	34,024,928	27,853,892
Less current portion	<u>860,000</u>	<u>850,000</u>
	<u>\$33,164,928</u>	<u>\$27,003,892</u>

The interest rates on notes payable to NRUCFC at 6.80% to 7.25% are subject to change approximately every seven years. Any variable interest rate notes to NRUCFC would adjust monthly and may be converted to fixed rate at any time upon Board approval by Blue Grass Energy.

Continued

Notes to Financial Statements, continued

6. Long Term Debt, continued,

The long term debt payable to RUS and NRUCFC is due in monthly and quarterly installments of varying amounts through 2033. Blue Grass Energy had no unadvanced loan funds available as of April 30, 1999.

As of April 30, 1999, the annual portion of long term debt outstanding for the next five years are as follows: 2000 - \$860,000; 2001 - \$915,000; 2002 - \$950,000; 2003 - \$1,05,000; 2004 - \$1,065,000.

7. Short Term Line of Credit

Blue Grass Energy has executed a sixty (60) month line of credit agreement, including a note payable, with NRUCFC in the amount of \$10,000,000. At April 30, 1999 Blue Grass Energy had \$1,225,000 borrowed against this line of credit at an interest rate of 5.90%.

8. Employee Benefits

Retirement Plan

All eligible employees of Blue Grass Energy participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. Blue Grass Energy makes annual contributions to the Program equal to the amounts accrued for pension expense. Contributions were \$229,867 for 1999 and \$178,192 for 1998. In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

Savings Plan

Blue Grass Energy has a Retirement Savings Plan for all employees who are eligible to participate in Blue Grass Energy's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. Blue Grass Energy will match contributions of each participant up to 2% of the participant's base compensation. Blue Grass Energy contributed \$63,711 in 1998 and \$60,677 in 1998. Participants vest immediately in their contributions and the contributions of Blue Grass Energy.

Special Early Retirement Program

In conjunction with the consolidation of Blue Grass Rural Electric and Fox Creek Rural Electric, the employees of each cooperative were offered a Special Early Retirement Program (SERP) through NRECA to provide enhanced benefits for employees who are eligible for the SERP because they satisfy an age 57 and 30 years of service requirement. The lump sum amount for employees that elected the SERP was \$260,686. The amount was recorded as a deferred debit and is being amortized over a five (5) year period.

Continued

8. Employee Benefits, continued**Accumulated Postretirement Benefits**

Blue Grass Energy sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Blue Grass Energy pays all premiums for retirees and their dependents. For purposes of the liability estimates, the substantive plan is assumed to be the same as the extant written plan. Postretirement benefits are not funded.

The following table sets forth the plan's status reconciled with the amount shown in Blue Grass Energy's balance sheets at April 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Accumulated postretirement benefit obligation:		
Active plan participants fully eligible	\$95,000	\$316,000
Active plan participants not yet eligible	632,000	1,350,000
Retirees	<u>1,537,253</u>	<u>253,897</u>
	2,264,253	1,919,897
Unrecognized net loss from changes in assumptions	<u>(272,300)</u>	<u>-</u>
Accrued postretirement benefit cost	<u>\$1,991,953</u>	<u>\$1,919,897</u>

Net periodic postretirement benefit cost included the following components:

	<u>1999</u>	<u>1998</u>
Service cost - benefits attributed to service during the period	\$75,400	\$46,300
Interest cost on accumulated postretirement benefit obligation	172,800	79,000
Amortization of unrecognized loss from changes in assumptions	<u>30,200</u>	<u>-</u>
Net periodic benefit cost	<u>\$278,400</u>	<u>\$125,300</u>

For measurement purposes, a 8.5% annual rate of increase, decreasing by 0.25% until constant at 6%, in the per capita cost of covered health care benefits was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 8%.

9. Income Tax Status

Blue Grass Energy is exempt from federal and state income taxes under provisions of Section 501(c)(12). Accordingly, the financial statements include no provision for income taxes.

Continued

10. Related Party Transactions

Two of the Directors of Blue Grass Energy are members of the Board of Directors of East Kentucky, the wholesale power supplier to Blue Grass Energy. One of the Directors and the President and CEO of Blue Grass Energy are on the Board of Directors of Kentucky Association of Electric Cooperatives.

Another employee of Blue Grass Energy is on the Board of Directors of the Rural Cooperatives Credit Union.

11. Contingencies

Electric power sold by Blue Grass Energy is purchased from East Kentucky. The membership of East Kentucky is comprised of Blue Grass Energy and 16 other distribution cooperatives.

Under its wholesale power agreement, Blue Grass Energy is committed to purchase its electrical power and energy requirements from East Kentucky until 2025. The rates are subject to approval by the PSC.

Blue Grass Energy is contingently liable as guarantor for approximately \$1,915,000 of long-term obligations of East Kentucky to RUS, NRUCFC and institutional investors. Substantially all assets of Blue Grass Energy are pledged as collateral for this guarantee, in addition to the pledge in the mortgage agreement referred to in Note 6. This contingent liability was part of an overall financing plan for the construction of a generating facility near Maysville, Kentucky.

Blue Grass Energy is modifying its computers and updating software from its service provider to be compliant with the year 2000. The financial impact of making the required system changes for year 2000 compliance are not expected to have a material effect on the financial statements.

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Blue Grass Energy Cooperative Corporation
Computer Software Programs
May 31, 1999
Witness: Don Smothers
Witness: Alan Zumstein

Exhibit
page
of

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Blue Grass has used Lotus 1-2-3 Release 5 in the preparation of this Application along with Microsoft Excel for some schedules.

K



Poised for the Future
Leading the way in technology and service

Blue Grass Energy



1998 Annual Report

Stone Energy Partner



Poised for the Future

Leading the way in technology and service

Six decades ago, farmers, local business leaders, and homeowners envisioned a bright future for the rural areas of central Kentucky, and they made it happen.

That future included economic prosperity, good-paying jobs, and an improved quality of life. To make that dream a reality, rural residents needed affordable, reliable electricity. But no existing electric utility could foresee any financial benefit in extending service into rural areas. So local people took charge of their future and formed electric cooperatives to deliver electricity to farms, businesses, and homes.

Today, Blue Grass Energy provides electricity to approximately 31,000 homes, farms, and businesses in 13 counties.

That early vision of future economic growth and prosperity has taken many forms. The Bluegrass has a flourishing agricultural base, and its diverse industries and manufacturing plants attract both national and foreign investors. Balanced against our economic growth are a quality of life and a beautiful natural landscape that convince us that Kentucky is a good place to live and work.

This blend of progress and preservation is a tribute to the intelligence, vision, and business sense of our community leaders. While these past accomplishments are important, Blue Grass Energy's management staff is looking toward the future.

Blue Grass Energy, and all the electric co-ops in Kentucky, have been critical to this state's economic development, not only by bringing electricity to rural areas but also by investing in the local economy. In addition, Blue Grass Energy has been a good neighbor, improving the quality of life while sensibly maintaining an environment in which people want to live.

Technological developments and political agendas are now shaping Blue Grass Energy's work, but its mission

remains the same: to provide reliable, affordable electricity to you. Poised to meet these challenges and others in the future, Blue Grass Energy will continue to work smarter and harder to serve you into the 21st century.

We're working progressively and aggressively to use new technology and monitor political and management developments as we continue providing efficient, low-cost electric power to you.

Technological advances

Blue Grass Energy expends an enormous amount of creative energy to make the latest computer technology work for you. Efficiencies through computerization allow cooperatives to monitor and analyze consumers' energy demands and purchase the appropriate amount of energy to meet those needs. They streamline and allow us to add improved services to billing procedures. The result is more cost-efficient operations for the cooperative and utility bills for you that are as cost-effective as possible. We can even control a lot of operations at our substations by throwing a switch from a central office—avoiding having to travel long distances as often.

Someday, computer technology could further reduce costs by automating routine tasks, such as meter reading, and Blue Grass Energy is helping show the way. For example, we are beginning to test meter-reading devices that report power use to the co-op offices through the existing phone lines, resulting in more accurate and up-to-the-minute bills for consumers.

Our new outage reporting system automatically answers outage phone calls, handling up to 12 calls simultaneously. The service reduces busy signals during power interruptions and frees dispatchers to troubleshoot problems and assign repair crews.



We even have computerized energy audit programs. A consumer interested in using energy more efficiently simply fills out a questionnaire and mails in their responses. Soon, a customized energy audit is mailed to their home with energy advice tailored specifically to their lifestyle.

Electric utility restructuring

Blue Grass Energy has been heavily involved in influencing the national discussion on whether to restructure the electric utility industry. Joining with other cooperatives through state and national associations, we have made sure that your concerns as a member of your local electric cooperative are heard.

At issue is whether to deregulate electric utilities in a way similar to how telephone and airline service was deregulated. Some states have jumped in with both feet. New Hampshire, California, and several other states where rates are especially high have gone ahead and deregulated their electric utility industries. Policy makers are keeping close tabs to see what we can learn from those experiments.

During the 1998 session of the Kentucky Legislature, electric cooperatives led the way in calling for a more common-sense approach to the future—an approach that the legislature approved and with which the governor agreed. That approach calls for a careful study of the electric utility industry, which is now under way. It is set to be completed later in 1999, so it can be used to make recommendations to the legislative session in 2000.

Electric co-op representatives have been involved in every appropriate way with this study committee. We have a lot of questions about making drastic changes to how we get our electric service: Would rural residential consumers pay more for electricity in a deregulated industry? Would there be an adequate and reliable supply of electricity to rural areas? What effects could a deregulated race to cut costs have on jobs, the environment, community involvement, and economic development activities?

We're confident that through careful study, this committee can come up with recommendations that benefit everyone, including members of electric cooperatives.

Y2K

While computers have brought great efficiencies and

increased productivity, they've also created a problem known as "the millennium bug" or "Y2K" (for Year 2000). The question is, will millions of microchips programmed to recognize years by their last two digits think 00 means 1900 and shut down at midnight next New Year's Eve? The truth is, nobody knows, but we have been working for years to correct any possible problems, and that has included running the computer clocks forward at all our facilities to see what happens. We will continue to work on this problem, and will have contingency plans in place if Y2K does cause a problem. But we feel confident that you'll be able to watch the clocks roll from 1999 to 2000 without an interruption in electricity.

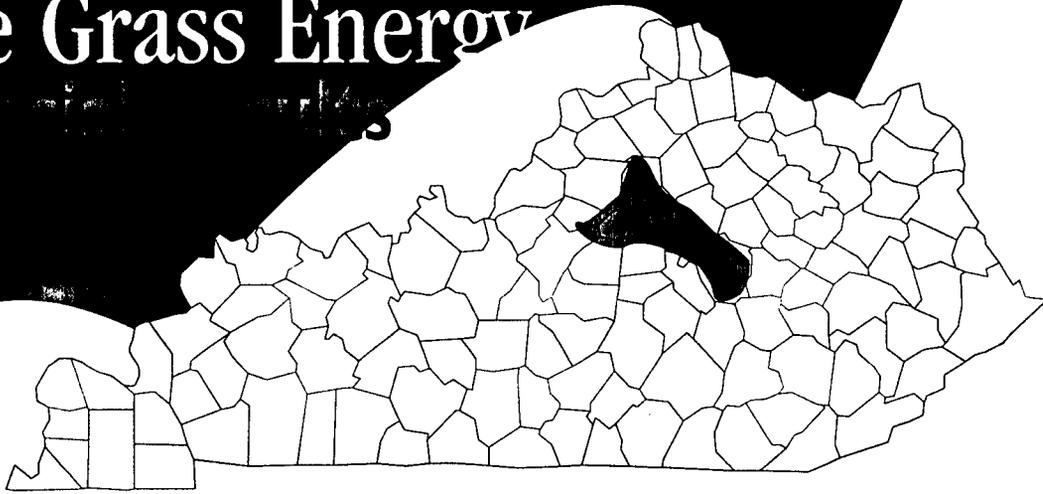
Low, low electric rates

National figures continue to show that Kentucky is solidly among the three states with the lowest electric rates in the country. We're proud of this because it didn't happen by accident. We have low rates because of our intelligent use of local, low-cost coal to generate electricity, and intelligent regulatory and business decisions by utilities and government agencies in the state.

We're also pleased about some of the practical effects of those low rates. They are a big help in attracting industry and other economic development activities. Because of them, we can carefully study such issues as utility deregulation, rather than rush into a possibly bad decision. They help us to maintain and improve the quality of our lives here in Kentucky.

We pledge to keep working hard to bring you the lowest rates and highest levels of service possible.

Blue Grass Energy



Members Served in 1998

Madison	7,642	Spencer	333
Jessamine	7,316	Washington	128
Fayette	5,874	Shelby	60
Anderson	3,761	Henry	41
Franklin	3,130	Garrard	11
Mercer	2,223	Jackson	7
Woodford	770		

Average KWH Usage

Residential per month

1988	1,041
1998	1,131

Miles of Line

1988	2,832
1998	3,349

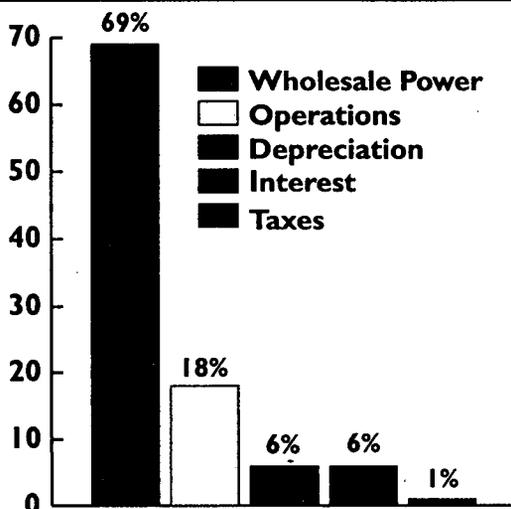
Accounts Billed

1988	21,962
1998	31,175

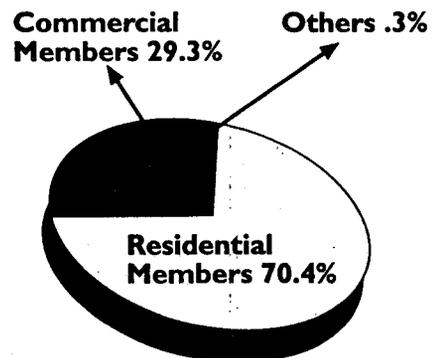
Consumers per Mile

1988	7.75
1998	9.31

Major Costs



Revenue Sources



Statement Of Operations

As of December 31, 1998

Operating Revenue and Patronage Capital	34,459,317
Operating Expense	
Cost of Purchased Power	22,968,536
Operating the Electric System	6,051,015
Depreciation	2,047,709
Taxes	466,950
Interest on Loans	1,883,592
Other Deductions	34,634
 Total Cost of Electric Service	 33,452,436
Patronage Capital and Operating Margins	1,006,881
Non-Operating Margins	74,449
Other Capital Credits	150,453
 Patronage Capital or Margin	 1,231,783

Balance Sheet

As of December 31, 1998

Assets	
Total Utility Plant	69,336,633
Less Depreciation	15,779,892
Net Utility Plant Book Value	53,633,027
Certificates in Rural Electric Bank and	
Investments in Association Organizations	7,198,025
Cash and Reserves	851,597
Owed to Co-op on Accounts and Notes	1,588,514
Material in Inventory	658,313
Expenses Paid in Advance	105,773
Deferred Debits and Other Assets	273,435
Total Assets	64,308,684
Liabilities and Equities	
Consumer Deposits	527,880
Membership and Other Equities	22,492,452
Long-Term Debt	32,253,597
Notes and Accounts Payable	7,874,731
Other Current and Accrued Liabilities	1,160,024
 Total Liabilities and Equities	 64,308,684

Co-op Highlights from 1998

On January 1, Blue Grass Energy was formed through the consolidation of Blue Grass RECC, Nicholasville, and Fox Creek RECC, Lawrenceburg. The following are some of the highlights of the organization's first year:

- Studies indicate that the cooperative's customer satisfaction ranks among the state's highest for electric utilities.
- Savings due to the consolidation are on target with projections. The consolidation is expected to save Blue Grass Energy over \$12 million over a nine-year period.
- The cooperative returned over \$ 708,000 to members in the form of capital credits during the year, while maintaining stable rates.
- Blue Grass Energy was the second cooperative in the nation to join the Touchstone Energy® program, a national branding strategy aimed at increasing consumer awareness and setting quality standards for the electric cooperative program.
- The cooperative hired a key accounts employee to work specifically with the utility's industrial and commercial customers.
- The Clay Lick, Chaplin, Mercer County Industrial, Crooksville, and Hickory Plains substations were installed or upgraded to enhance electric service to our members.
- Blue Grass implemented a temporary service pole program to ease the construction process for homeowners and builders.
- Blue Grass Energy built 12 miles of underground line, 60 miles of overhead line, and extended service to 1,199 new consumers.
- The cooperative updated its billing system and implemented statement billing to enhance customer service.
- The board and management worked together to develop a strategic plan to guide the cooperative throughout the next two years.
- Five members of the board of directors retired, reducing the number of directors from 14 to nine. The cooperative was redistricted to reflect this change.

Your CEO/Board of Directors



Dan Brewer
President/CEO



E.A. Gilbert
Chairman



Jody E. Hughes
Vice Chairman



Charles G. Williamson Jr.
Secretary



Zeb Blankenship

Official Notice of Annual Meeting of Members

When: Friday, June 4
Where: Anderson County Middle School, Lawrenceburg
Registration: 6:00 p.m.
Business Meeting: 7:00 p.m.

The annual membership meeting of Blue Grass Energy organizes to take action on the following matters:

- 1) Report on the number of members present in person in order to determine the existence of a quorum.
- 2) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- 3) Reading of approved meeting of the members and the taking of necessary action thereon.
- 4) Presentation of reports of officers and committees.
- 5) Report on the election of board members.
- 6) Agenda items filed under Section 3 of Article III of the bylaws.
- 7) Other information.
- 8) Adjournment.



Danny G. Britt



Richard Crutcher



Gary Keller



Ronald Pennington



Jane Smith

ANNUAL MEETING

EVERYONE WELCOME

Exhibit K
Page 8 of 16

Bring your family for an evening filled with fun, entertainment, prizes, and information about your cooperative and the services it has to offer!

BLUE GRASS ENERGY

Friday, June 4, 1999

Anderson County Middle School

featuring

Lawrenceburg, KY

Registration 6:00 p.m.

Business Meeting 7:00 p.m.



THE ISAACS

...and special guest



CAMBO THE CLOWN

- Free Food
- Door Prizes
- Slide, Moonwalk
- Facepainting
- Demonstrations

Members and children must be present to win prizes

Blue Grass Energy 1997 Annual Report

*The
power
of human
connections*



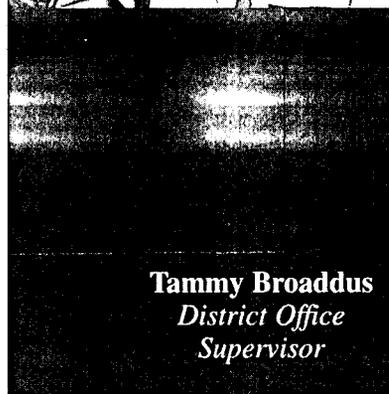
Carol Mulkner
*Customer Services
Representative*



Rad Combs
Crew Chief



Barry Drury
District Manager



Tammy Broaddus
*District Office
Supervisor*



Beonka Stockton
Benefits Specialist



DAN BREWER
President and CEO



Ray Searcy
*District Line
Superintendent*



H.C. Kenney
Energy Advisor



**Blue Grass Energy
Cooperative Corporation**

A Touchstone Energy™ Partner



Featuring the Combined Financial Reports of Fox Creek RECC and Blue Grass RECC

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A MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

The

For decades, Blue Grass RECC and Fox Creek RECC have supplied you and our growing communities with abundant, affordable energy. In January, in order to serve you better, we combined forces to become Blue Grass Energy.

This partnership allows us to further strengthen our commitment to the areas we serve. It gives us the power to provide every customer with state-of-the-art technology, reliable and responsive service, and excellent value.

And now, we're proud to announce a new alliance with over 400 electric cooperatives nationwide. As a Touchstone Energy partner, we are part of a national communications effort that declares to the public who we are, what we believe and why we are a superior choice for energy services.

Over the next several months, you can expect to see Touchstone Energy television, newspaper and magazine advertisements, and sponsored events. We are very excited about this new alliance and look forward to building on the relationship we have worked hard to establish with you.

You may have already begun to hear about a new era of competition for electricity providers. As states across the

nation begin to enact legislation that could dramatically change the electric utility industry, you know you can count on us to offer superior value to our members.

To prepare for this competition, Blue Grass Energy and cooperatives all over the country have been talking to customers like you about what they need and expect from their electric cooperative. The feedback has been tremendous. We've gained a wealth of information about what we're doing well and how we can do even better.

As you read through this report, you'll have a chance to see how we're changing to better serve your needs. And as you review the highlights of the past year, you can take particular pride in what was accomplished. Because in 1997, Blue Grass Energy came into being through your vote and your support.

Thank you.



E.A. Gilbert

Chairman of the Board



Dan Brewer

President/CEO

All utility value. special? The management We're local. concerned a We're the po and meet of PTA mee little L. gu We're not h hundreds of folks behind locations in Richmond. power near our area. W the night to your conce In this year the power c just a sloga We're your still means



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All utilities claim excellent service and good value. So what makes Blue Grass Energy special? The answer lies in our Board, our management and our employees.

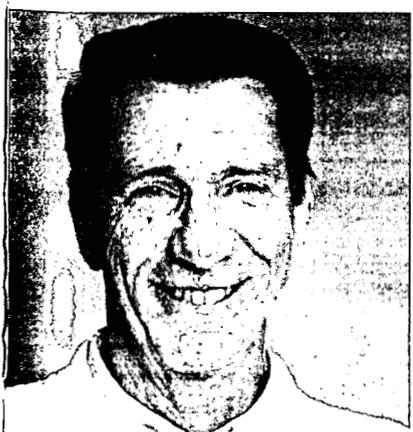
We're local. We're your neighbors. And we're concerned about the area in which we live. We're the people you see at the local diner and meet on the street. We work with you at PTA meetings, and cheer with you at little League games.

We're not headquartered in an office building hundreds or thousands of miles away. We're the folks behind the counters at our three convenient locations in Nicholasville, Lawrenceburg and Richmond. We're the linemen working to restore power when snowstorms and high winds roar into our area. We're the dispatchers working throughout the night to answer your questions and address your concerns.

In this year's annual report, when we talk about the power of human connections, it's more than just a slogan. It's our personal commitment. We're your friends and neighbors where that still means something.



Barry Drury
District Manager
Fox Creek
District



Charlie Dean
Energy Advisor
Nicholasville

The Ultimate Partnership: Consolidation

For years, employees at Fox Creek RECC, Lawrenceburg, and Blue Grass RECC, Nicholasville, had worked together on a variety of programs and projects: dispatching, marketing, warehousing, etc. When a consultant's report showed that combining the two cooperatives could lead to savings of up to \$12 million in nine years, the Boards of Directors recommended consolidation to the members.

Members overwhelmingly approved the consolidation at a special meeting Sept. 23, 1997. The vote allowed both cooperatives to dissolve at the end of the year to form Blue Grass Energy on Jan. 1, 1998.

The consolidation is expected to reduce operating costs overall by eliminating duplication of services. Because of this, electric rates will remain stable



Tammy Broaddus

District Office Supervisor
Madison County District

and any possible future rate increases will be pushed further into the future. Rates for former Fox Creek members will be reduced over time until they reach the level of the former Blue Grass RECC members.

Headquarters for the new cooperative is in Nicholasville with full-service district offices located in Madison County and Anderson County.

Your Good Neighbor

Blue Grass Energy's success is tied directly to the economic growth and quality of life in the 13 counties within our service territory. Making our region a better place in which to live and work benefits us all.

Our commitment to the communities we serve dates back more than 60 years and promises to continue on, stronger than ever, as we approach the new century. Blue Grass Energy's involvement takes many forms. For example:

The cooperative will award 11 \$500 scholarships to deserving high school seniors at this year's annual meeting. Eleven other students participated in the cooperative-sponsored Washington Youth Tour in early June.

Blue Grass Energy recently donated \$1,500 to install geothermal heating and cooling in an old one-room schoolhouse recently moved to Lawrenceburg. Kentucky Utilities matched the donation and WaterFurnace donated the geothermal units and loops.

Blue Grass Energy employees make dozens of speeches each year on electrical safety, energy use and cooperative structure to school groups, civic organizations, and fire-fighting and law enforcement agencies. The cooperative is also active in career days, the 6th grade energy program, 4-H Reality Stores, and the American Private Enterprise educational program.

Blue Grass Energy supports Operation Graduation activities at area high schools through cash contributions and in-kind donations.

The need for blood is constant, and Blue Grass Energy holds several blood drives each year for the Central Kentucky Bloodmobile.



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H.C. Kenney

Energy Advisor
Madison County
District

Working with our power supplier, East Kentucky Power Cooperative, Blue Grass recently donated T-shirts and garbage bags to support Operation Pride cleanup efforts in Jessamine County.

Electrical appliances were donated to Berea Independent School, the Madison County Extension Office, and East Jessamine High School in 1997.

A new state-of-the-art fiber optic communications system, installed with the help of Blue Grass Energy, connects Jessamine County school buildings to the rest of the world through two-way live satellite communications.

As a cooperative member, you get more than kilowatt-hours when you pay your Blue Grass Energy electric bill. You get a team of 80-plus employees working to better meet your needs. And it's these "human connections" that make your cooperative special.

In the months and years ahead, you'll see changes in the way we do business that reflect our renewed commitment to customer service. We'll be rolling out new programs and new technologies to better meet your needs as a consumer and as a member of our community.

As we complete our consolidation efforts, you'll see us take what was the best of Fox Creek RECC and Blue Grass RECC and create an even more effective organization. We know we can do it. We have the power of human connections.



Beonka Stockton

Benefits Specialist
Fox Creek
District

BOARD OF DIRECTORS



J.A. GILBERT

Chairman
Madison
County



JODY HUGHES

Vice Chairman
Anderson
County



CHARLES G. WILLIAMSON JR.

Secretary-Treasurer
Fayette
County



ZEB BLANKENSHIP

Jessamine
County



DANNY G. BRITT

Madison
County



DAVID G. COLLINS JR.

Jessamine
County



RICHARD CRUTCHER

Anderson
County



WILLIAM T. DAVIS

Jessamine
County



GARY KELLER

Mercer
County



RONALD PENNINGTON

Madison
County



JANE SMITH

Franklin
County

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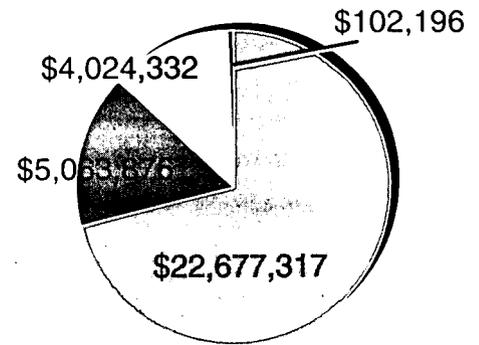
Financial Highlights

OPERATING STATEMENT
FOR YEAR ENDING DECEMBER 31, 1997

Operating Revenue	\$32,575,746
Cost of Purchased Power	\$22,097,275
Operating Expense	\$5,910,275
Depreciation	\$2,219,068
Interest	\$1,542,256
Taxes and Other	\$ 739,584
Total Cost of Electric Service	\$(32,508,458)
Patronage Capital and Operating Margins	\$ 67,288
Non-Operating Margins	\$(100,146)
GenT Capital Credits	\$ 0
Other Capital Credits	\$ 98,783
Patronage Capital or Margins	\$ 65,925

Revenue Sources

Exhibit K
Page 15 of 16



	Residential Members	71.16%
	Commercial Members	12.63%
	Industrial Members	15.89%
	Other	0.32%

BALANCE SHEET • DECEMBER 31, 1997

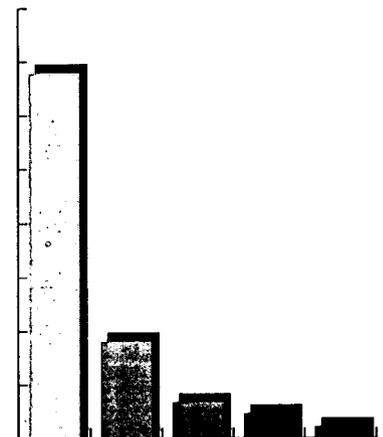
ASSETS

Total Utility Plant	\$64,369,679
Less Accumulated Depreciation ..	\$14,774,249
Net Utility Plant	\$49,595,430
Investment in Associated Organizations ..	\$7,121,896
Cash and Reserves	\$ 447,476
Notes and Accounts Receivable	\$1,775,667
Materials in Inventory	\$ 514,387
Deferred Debits and Other Assets	\$ 508,371
Total Assets	\$59,963,227

LIABILITIES & OTHER CREDITS

Membership & Other Equities	\$22,145,820
Long-Term Debt	\$28,111,019
Notes and Accounts Payable	\$6,079,122
Other Current and Accrued Liabilities ..	\$3,627,266
Total Liabilities and Other Credits	\$59,963,227

Major Costs



	Wholesale Power	\$22,097,275
	Operating the System	\$5,910,275
	Depreciation	\$2,219,068
	Interest	\$1,542,256
	Taxes & Other	\$739,584
	TOTAL	\$32,508,458

Members Served in 1997

MADISON	7,309	MERCER	2,122	HENRY	41
JESSAMINE	6,970	WOODFORD	719	GARRARD	11
FAYETTE	5,911	SPENCER	315	JACKSON	4
ANDERSON	3,575	WASHINGTON	125	TOTAL	30,163
FRANKLIN	3,005	SHELBY	56		

ACCOUNTS BILLED	30,163
AVERAGE KWH USAGE	1,795

MILES OF LINE	3,290
CONSUMERS PER MILE OF LINE	9.17

Ma

Bring your family for
 an evening filled with
 fun, entertainment, prizes
 and information about
 Blue Grass Energy and
 the services we have to offer!



Blue Grass Energy

Thursday
June 18, 1998

East Jessamine Middle School

Nicholasville, KY

Registration 6 p.m.

Business Meeting 7 p.m.

A Touchstone Energy™ Partner 



EXILE

← FEATURING



CAMBO the clown

- FREE FOOD
- DOOR PRIZES
- SPECIAL ACTIVITIES FOR KIDS
- SAFETY DEMONSTRATIONS
- INFORMATIONAL DISPLAYS

Members and children must be present to win prizes

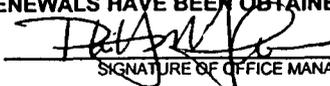
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This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential. Page 1 of 24

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <p>BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2</p>	<p>PERIOD ENDED 1998 June</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p> SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p>	<p>8/6/98 DATE</p>
<p>_____ SIGNATURE OF MANAGER</p>	<p>_____ DATE</p>

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	16,455,889	17,196,862	17,215,253	2,589,071
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	10,730,139	10,980,714	11,298,817	2,027,747
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	183,326	495,395	274,800	88,333
6. Distribution Expense - Maintenance.....	691,062	917,697	903,100	180,991
7. Consumer Accounts Expense.....	442,818	566,039	578,700	89,779
8. Customer Service and Informational Expense.....	169,769	260,237	268,800	31,228
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	1,337,942	1,011,173	1,159,800	165,000
11. Total Operation & Maintenance Expense(2 thru 10).....	13,555,056	14,231,255	14,484,017	2,583,078
12. Depreciation and Amortization Expense.....	1,081,718	1,008,827	1,039,800	170,151
13. Tax Expense - Property & Gross Receipts.....	196,899	0	78,900	0
14. Tax Expense - Other.....	97,642	(6,871)	37,800	722
15. Interest on Long-Term Debt.....	761,033	765,400	816,000	128,625
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	32,272	135,681	31,100	22,513
18. Other Deductions.....	8,918	11,760	11,600	3,606
19. Total Cost of Electric Service(11 thru 18).....	15,733,538	16,146,052	16,499,217	2,908,695
20. Patronage Capital & Operating Margins (1 minus 19)...	722,351	1,050,810	716,036	(319,624)
21. Non Operating Margins - Interest.....	39,265	32,374	90,000	1,065
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(33,323)	5,623	0	14,777
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	26	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	728,293	1,088,833	806,036	(303,782)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	511	461	5. Miles Transmission	0.00	0.00
2. Services Retired	119	59	6. Miles Distribution - Overhead	3,058.00	3,097.00
3. Total Services in Place	31,639	32,604	7. Miles Distribution - Underground	197.00	211.00
4. Idle Services (Exclude Seasonal)	2,177	1,793	8. Total Miles Energized (5 + 6 + 7)	3,255.00	3,308.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064		
INSTRUCTIONS - See RUS Bulletin 1717B - 2	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;"> PERIOD ENDED 1998 June </td> <td style="width:30%; text-align: center;"> RUS USE ONLY </td> </tr> </table>	PERIOD ENDED 1998 June	RUS USE ONLY
PERIOD ENDED 1998 June	RUS USE ONLY		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 65,773,358	30. Memberships..... 685,645
2. Construction Work in Progress..... 539,126	31. Patronage Capital..... 20,112,012
3. Total Utility Plant (1+2)..... 66,312,484	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 15,261,299	33. Operating Margins - Current Year..... 1,088,833
5. Net Utility Plant(3-4)..... 51,051,185	34. Non-Operating Margins..... 62,515
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 878,723
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35)..... 22,924,213
8. Invest. In Assoc. Org. - Patronage Capital..... 5,858,180	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 19,055,607
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,234,785	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 20,875	40. Long-Term Debt - Other (Net)..... 8,614,751
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 27,670,358
14. Total Other Property and Investments (6 thru 13) 7,113,840	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 442,541	43. Accumulated Operating Provisions..... 1,949,447
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,949,447
17. Special Deposits..... 0	45. Notes Payable..... 3,740,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,568,864
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 539,150
20. Accounts Receivable - Sales of Energy (Net).. 1,041,023	48. Other Current and Accrued Liabilities..... 851,465
21. Accounts Receivable - Other (Net)..... 391,375	49. Total Current & Accrued Liabilities (45 thru 48) 7,699,479
22. Materials and Supplies - Electric and Other..... 697,541	50. Deferred Credits..... 839,056
23. Prepayments..... 16,233	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+49 thru 51)..... 61,082,553
25. Total Current and Accrued Assets (15 thru 24) 2,588,713	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 328,815	53. Balance Beginning of Year..... 3,386,419
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 144,560
29. Total Assets and Other Debits (5+14+25 thru 28) 61,082,553	55. Total Contributions in Aid of Construction..... 3,530,979

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990
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INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1998 July	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	8/31/98 _____ DATE
_____ SIGNATURE OF MANAGER	8/31/98 _____ DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	19,064,968	20,198,319	20,192,673	3,001,457
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	12,744,593	13,245,298	13,423,195	2,264,584
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	226,262	587,390	320,600	91,995
6. Distribution Expense - Maintenance.....	820,013	1,080,550	1,053,700	162,853
7. Consumer Accounts Expense.....	554,806	644,475	676,150	78,436
8. Customer Service and Informational Expense.....	234,845	334,235	313,600	73,997
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	1,581,788	1,171,288	1,353,100	160,115
11. Total Operation & Maintenance Expense(2 thru 10).....	16,162,307	17,063,236	17,140,345	2,831,980
12. Depreciation and Amortization Expense.....	1,266,657	1,179,022	1,214,100	170,195
13. Tax Expense - Property & Gross Receipts.....	229,674	0	92,050	0
14. Tax Expense - Other.....	110,063	(8,039)	44,100	(1,168)
15. Interest on Long-Term Debt.....	889,333	894,025	952,000	128,625
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	35,057	138,447	36,250	2,766
18. Other Deductions.....	10,411	14,964	13,500	3,204
19. Total Cost of Electric Service(11 thru 18).....	18,703,502	19,281,655	19,492,345	3,135,602
20. Patronage Capital & Operating Margins (1 minus 19)...	361,466	916,664	700,328	(134,145)
21. Non Operating Margins - Interest.....	41,823	34,122	105,000	1,747
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(38,492)	1,595	0	(4,029)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	26	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	364,797	952,407	805,328	(136,427)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	615	561	5. Miles Transmission	0.00	0.00
2. Services Retired	129	63	6. Miles Distribution - Overhead	3,060.00	3,103.00
3. Total Services in Place	31,733	32,700	7. Miles Distribution - Underground	197.00	211.00
4. Idle Services (Exclude Seasonal)	2,113	1,799	8. Total Miles Energized (5 + 6 + 7)	3,257.00	3,314.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064		
INSTRUCTIONS - See RUS Bulletin 1717B - 2	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;"> PERIOD ENDED 1998 July </td> <td style="width:30%; text-align: center;"> RUS USE ONLY </td> </tr> </table>	PERIOD ENDED 1998 July	RUS USE ONLY
PERIOD ENDED 1998 July	RUS USE ONLY		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 66,109,365	30. Memberships..... 687,603
2. Construction Work in Progress..... 699,611	31. Patronage Capital..... 19,711,214
3. Total Utility Plant (1+2)..... 66,808,976	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 15,388,002	33. Operating Margins - Current Year..... 952,407
5. Net Utility Plant (3-4)..... 51,420,974	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 878,526
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35)..... 22,388,749
8. Invest. In Assoc. Org. - Patronage Capital..... 5,858,179	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 19,036,866
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,234,785	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 20,875	40. Long-Term Debt - Other (Net)..... 8,614,751
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 27,651,617
14. Total Other Property and Investments (6 thru 13) 7,113,839	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 716,499	43. Accumulated Operating Provisions..... 1,857,041
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,857,041
17. Special Deposits..... 0	45. Notes Payable..... 5,115,000
18. Temporary Investments..... 0	46. Accounts Payable..... 3,168,873
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 538,715
20. Accounts Receivable - Sales of Energy (Net).. 1,200,645	48. Other Current and Accrued Liabilities..... 705,562
21. Accounts Receivable - Other (Net)..... 435,433	49. Total Current & Accrued Liabilities (45 thru 48) 9,528,150
22. Materials and Supplies - Electric and Other..... 600,576	50. Deferred Credits..... 838,882
23. Prepayments..... 420,625	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+49 thru 51)..... 62,264,439
25. Total Current and Accrued Assets (15 thru 24) 3,373,778	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 355,848	53. Balance Beginning of Year..... 3,386,419
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 155,952
29. Total Assets and Other Debits (5+14+25 thru 28) 62,264,439	55. Total Contributions in Aid of Construction..... 3,542,371

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1998 August

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	9-29-98 DATE
_____ SIGNATURE OF MANAGER	9/30/98 DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	21,945,589	23,013,849	22,969,834	2,815,530
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	14,574,273	15,483,580	15,321,018	2,238,282
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	261,672	679,633	366,400	92,243
6. Distribution Expense - Maintenance.....	946,318	1,245,742	1,204,300	165,192
7. Consumer Accounts Expense.....	629,833	737,163	774,700	92,688
8. Customer Service and Informational Expense.....	271,211	376,774	358,300	42,540
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	1,774,602	1,283,032	1,546,400	111,744
11. Total Operation & Maintenance Expense(2 thru 10).....	18,457,909	19,805,924	19,571,118	2,742,689
12. Depreciation and Amortization Expense.....	1,453,150	1,350,073	1,388,400	171,050
13. Tax Expense - Property & Gross Receipts.....	262,449	0	105,200	0
14. Tax Expense - Other.....	134,886	(8,102)	50,300	(64)
15. Interest on Long-Term Debt.....	1,025,107	1,024,122	1,088,000	130,098
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	40,075	141,217	41,400	2,770
18. Other Deductions.....	15,070	21,651	15,400	6,687
19. Total Cost of Electric Service(11 thru 18).....	21,388,646	22,334,885	22,259,818	3,053,230
20. Patronage Capital & Operating Margins (1 minus 19)...	556,943	678,964	710,016	(237,700)
21. Non Operating Margins - Interest.....	43,254	35,451	120,000	1,329
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	(39,616)	2,091	0	497
24. Non Operating Margins - Other.....	0	0	0	0
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	53,974	65,972	0	65,946
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	614,555	782,478	830,016	(169,928)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	705	658	5. Miles Transmission	0.00	0.00
2. Services Retired	142	67	6. Miles Distribution - Overhead	3,066.00	3,107.00
3. Total Services in Place	31,810	32,793	7. Miles Distribution - Underground	199.00	214.00
4. Idle Services (Exclude Seasonal)	1,739	1,804	8. Total Miles Energized (5 + 6 + 7)	3,265.00	3,321.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p>		
<p>INSTRUCTIONS - See RUS Bulletin 1717B - 2</p>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1998 August</td> <td style="width:30%; text-align: center;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1998 August	RUS USE ONLY
PERIOD ENDED 1998 August	RUS USE ONLY		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 66,428,565	30. Memberships..... 689,933
2. Construction Work in Progress..... 750,112	31. Patronage Capital..... 19,697,771
3. Total Utility Plant (1+2)..... 67,178,677	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 15,509,207	33. Operating Margins - Current Year..... 782,478
5. Net Utility Plant (3-4) 51,669,470	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 877,933
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 22,207,114
8. Invest. In Assoc. Org. - Patronage Capital..... 5,849,336	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 18,928,258
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,255,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,614,751
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 27,543,009
14. Total Other Property and Investments (6 thru 13) 7,104,996	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 894,928	43. Accumulated Operating Provisions..... 1,877,891
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,877,891
17. Special Deposits..... 0	45. Notes Payable..... 5,775,000
18. Temporary Investments..... 0	46. Accounts Payable..... 3,024,324
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 535,721
20. Accounts Receivable - Sales of Energy (Net).. 0	48. Other Current and Accrued Liabilities..... 738,474
21. Accounts Receivable - Other (Net)..... 1,154,294	49. Total Current & Accrued Liabilities (45 thru 48) 10,073,519
22. Materials and Supplies - Electric and Other..... 452,012	50. Deferred Credits..... 835,308
23. Prepayments..... 575,599	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 342,287	52. Total Liabilities and Other Credits 62,536,841
25. Total Current and Accrued Assets (15 thru 24) 3,419,120	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
26. Regulatory Assets..... 0	53. Balance Beginning of Year..... 3,386,419
27. Other Deferred Debits..... 343,255	54. Amounts Received This Year (Net)..... 172,650
28. Accumulated Deferred Income Taxes..... 0	55. Total Contributions in Aid of Construction..... 3,559,069
29. Total Assets and Other Debits (5+14+25 thru 28) 62,536,841	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <p>BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2</p>	<p>PERIOD ENDED 1998 September</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p> SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p>	<p>11/2/98 DATE</p>
<p>_____ SIGNATURE OF MANAGER</p>	<p>_____ DATE</p>

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	24,619,819	26,215,164	25,537,281	3,201,315
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	16,283,752	17,452,475	16,949,440	1,968,895
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	295,702	747,255	412,200	67,622
6. Distribution Expense - Maintenance.....	1,040,792	1,430,562	1,354,900	184,820
7. Consumer Accounts Expense.....	707,315	824,280	872,250	87,117
8. Customer Service and Informational Expense.....	305,159	437,776	403,000	61,001
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	2,032,360	1,429,733	1,739,700	146,701
11. Total Operation & Maintenance Expense(2 thru 10).....	20,665,080	22,322,081	21,731,490	2,516,156
12. Depreciation and Amortization Expense.....	1,646,524	1,522,683	1,563,200	172,610
13. Tax Expense - Property & Gross Receipts.....	295,224	0	118,350	0
14. Tax Expense - Other.....	152,098	(7,999)	56,500	104
15. Interest on Long-Term Debt.....	1,156,527	1,153,422	1,224,000	129,300
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	51,033	143,896	46,550	2,678
18. Other Deductions.....	16,611	25,125	17,300	3,475
19. Total Cost of Electric Service(11 thru 18).....	23,983,097	25,159,208	24,757,390	2,824,323
20. Patronage Capital & Operating Margins (1 minus 19)...	636,722	1,055,956	779,891	376,992
21. Non Operating Margins - Interest.....	44,607	36,861	135,000	1,410
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	(38,049)	5,197	0	3,106
24. Non Operating Margins - Other.....	0	0	0	0
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	98,783	148,235	0	82,263
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	742,063	1,246,249	914,891	463,771

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	810	768	5. Miles Transmission	0.00	0.00
2. Services Retired	151	73	6. Miles Distribution - Overhead	3,069.00	3,115.00
3. Total Services in Place	31,906	32,897	7. Miles Distribution - Underground	200.00	214.00
4. Idle Services (Exclude Seasonal)	1,984	1,804	8. Total Miles Energized (5 + 6 + 7)	3,269.00	3,329.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 PERIOD ENDED 1998 September
INSTRUCTIONS - See RUS Bulletin 1717B - 2	RUS USE ONLY

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 67,031,177	30. Memberships..... 691,578
2. Construction Work in Progress..... 657,710	31. Patronage Capital..... 19,690,552
3. Total Utility Plant (1+2)..... 67,688,887	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 15,553,559	33. Operating Margins - Current Year..... 1,246,248
5. Net Utility Plant (3-4) 52,135,328	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 880,345
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 22,667,722
8. Invest. In Assoc. Org. - Patronage Capital..... 5,915,147	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 18,907,521
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,614,751
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 27,522,272
14. Total Other Property and Investments (6 thru 13) 7,195,807	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 436,835	43. Accumulated Operating Provisions..... 1,901,091
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,901,091
17. Special Deposits..... 0	45. Notes Payable..... 6,323,908
18. Temporary Investments..... 0	46. Accounts Payable..... 2,573,125
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 534,138
20. Accounts Receivable - Sales of Energy (Net).. 1,321,154	48. Other Current and Accrued Liabilities..... 695,515
21. Accounts Receivable - Other (Net)..... 515,261	49. Total Current & Accrued Liabilities (45 thru 48) 10,126,686
22. Materials and Supplies - Electric and Other..... 803,029	50. Deferred Credits..... 810,117
23. Prepayments..... 289,848	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+49 thru 51)..... 63,027,888
25. Total Current and Accrued Assets (15 thru 24) 3,366,127	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
26. Regulatory Assets..... 0	53. Balance Beginning of Year..... 3,386,419
27. Other Deferred Debits..... 330,626	54. Amounts Received This Year (Net)..... 227,328
28. Accumulated Deferred Income Taxes..... 0	55. Total Contributions in Aid of Construction..... 3,613,747
29. Total Assets and Other Debits (5+14+25 thru 28) 63,027,888	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990
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INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1998 October	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	12-1-98 _____ DATE
_____ SIGNATURE OF MANAGER	12/1/98 _____ DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	26,920,160	29,142,220	27,935,356	2,927,055
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	17,879,514	19,033,722	18,493,190	1,581,247
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	332,456	821,053	458,000	73,797
6. Distribution Expense - Maintenance.....	1,162,413	1,581,760	1,505,500	151,198
7. Consumer Accounts Expense.....	790,742	886,961	967,800	62,682
8. Customer Service and Informational Expense.....	367,842	479,309	447,700	41,533
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	2,281,734	1,585,328	1,933,000	155,595
11. Total Operation & Maintenance Expense(2 thru 10).....	22,814,701	24,388,133	23,805,190	2,066,052
12. Depreciation and Amortization Expense.....	1,835,791	1,696,478	1,738,000	173,795
13. Tax Expense - Property & Gross Receipts.....	328,124	(62)	131,500	(62)
14. Tax Expense - Other.....	171,965	(7,181)	62,700	817
15. Interest on Long-Term Debt.....	1,287,946	1,282,722	1,360,000	129,300
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	61,857	146,597	51,700	2,701
18. Other Deductions.....	25,188	28,988	19,200	3,863
19. Total Cost of Electric Service(11 thru 18).....	26,525,572	27,535,675	27,168,290	2,376,466
20. Patronage Capital & Operating Margins (1 minus 19)...	394,588	1,606,545	767,066	550,589
21. Non Operating Margins - Interest.....	69,181	61,284	150,000	24,423
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(43,150)	11,237	0	6,040
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	98,783	150,453	0	2,218
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	519,402	1,829,519	917,066	583,270

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	938	919	5. Miles Transmission	0.00	0.00
2. Services Retired	156	78	6. Miles Distribution - Overhead	3,073.00	3,119.00
3. Total Services in Place	32,029	33,043	7. Miles Distribution - Underground	202.00	214.00
4. Idle Services (Exclude Seasonal)	1,916	1,817	8. Total Miles Energized (5 + 6 + 7)	3,275.00	3,333.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064
INSTRUCTIONS - See RUS Bulletin 1717B - 2	PERIOD ENDED 1998 October
RUS USE ONLY	

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 67,452,286	30. Memberships..... 695,070
2. Construction Work in Progress..... 673,117	31. Patronage Capital..... 19,680,979
3. Total Utility Plant (1+2)..... 68,125,403	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 15,650,815	33. Operating Margins - Current Year..... 1,829,519
5. Net Utility Plant (3-4) 52,474,588	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 884,221
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 23,248,788
8. Invest. In Assoc. Org. - Patronage Capital..... 5,917,365	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 18,888,525
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,614,751
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 27,503,276
14. Total Other Property and Investments (6 thru 13) 7,198,025	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 341,790	43. Accumulated Operating Provisions..... 1,924,291
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,924,291
17. Special Deposits..... 0	45. Notes Payable..... 6,348,908
18. Temporary Investments..... 0	46. Accounts Payable..... 1,997,584
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 534,075
20. Accounts Receivable - Sales of Energy (Net).. 1,052,717	48. Other Current and Accrued Liabilities..... 590,262
21. Accounts Receivable - Other (Net)..... 490,605	49. Total Current & Accrued Liabilities (45 thru 48) 9,470,829
22. Materials and Supplies - Electric and Other..... 860,965	50. Deferred Credits..... 817,011
23. Prepayments..... 226,204	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+49 thru 51)..... 62,964,195
25. Total Current and Accrued Assets (15 thru 24) 2,972,281	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 319,301	53. Balance Beginning of Year..... 3,386,419
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 230,407
29. Total Assets and Other Debits (5+14+25 thru 28) 62,964,195	55. Total Contributions in Aid of Construction..... 3,616,826

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990
--	--

INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1998 November	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	1/5/99 _____ DATE
_____ SIGNATURE OF MANAGER	1/5/99 _____ DATE

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	29,419,867	31,685,801	30,863,643	2,543,582
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	19,810,113	20,801,078	20,402,840	1,767,356
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	359,353	902,421	503,800	81,368
6. Distribution Expense - Maintenance.....	1,221,062	1,722,139	1,656,100	140,379
7. Consumer Accounts Expense.....	849,988	993,804	1,063,250	106,309
8. Customer Service and Informational Expense.....	395,724	525,491	492,400	46,182
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	2,499,716	1,733,588	2,126,400	148,260
11. Total Operation & Maintenance Expense(2 thru 10).....	25,135,956	26,678,521	26,244,790	2,289,854
12. Depreciation and Amortization Expense.....	2,026,385	1,871,599	1,913,300	175,121
13. Tax Expense - Property & Gross Receipts.....	360,899	(62)	144,750	0
14. Tax Expense - Other.....	186,989	383	69,000	7,564
15. Interest on Long-Term Debt.....	1,412,906	1,407,987	1,496,000	125,265
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	67,927	304,938	56,850	158,341
18. Other Deductions.....	26,664	32,525	21,100	3,537
19. Total Cost of Electric Service(11 thru 18).....	29,217,726	30,295,891	29,945,790	2,759,682
20. Patronage Capital & Operating Margins (1 minus 19)...	202,141	1,389,910	917,853	(216,100)
21. Non Operating Margins - Interest.....	68,577	63,191	165,000	1,830
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(39,721)	8,744	0	(2,169)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	98,784	150,453	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	329,781	1,612,298	1,082,853	(216,439)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1,031	919	5. Miles Transmission	0.00	0.00
2. Services Retired	166	78	6. Miles Distribution - Overhead	3,077.00	3,126.00
3. Total Services in Place	32,112	33,202	7. Miles Distribution - Underground	204.00	216.00
4. Idle Services (Exclude Seasonal)	2,095	1,826	8. Total Miles Energized (5 + 6 + 7)	3,281.00	3,342.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS	BORROWER DESIGNATION KY064	
FINANCIAL AND STATISTICAL REPORT	PERIOD ENDED 1998 November	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B - 2		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	67,959,234
2. Construction Work in Progress.....	763,601
3. Total Utility Plant (1+2).....	68,722,835
4. Accum. Provision for Depreciation and Amort..	15,722,715
5. Net Utility Plant (3-4).....	53,000,120
6. Non-Utility Property (Net).....	0
7. Investments in Subsidiary Companies.....	0
8. Invest. In Assoc. Org. - Patronage Capital.....	5,917,365
9. Invest. In Assoc. Org. - Other - General Funds	0
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds..	1,280,660
11. Investments in Economic Development Projects	0
12. Other Investments.....	0
13. Special Funds.....	0
14. Total Other Property and Investments (6 thru 13)	7,198,025
15. Cash - General Funds.....	528,873
16. Cash - Construction Funds - Trustee.....	0
17. Special Deposits.....	0
18. Temporary Investments.....	0
19. Notes Receivable (Net).....	0
20. Accounts Receivable - Sales of Energy (Net)..	1,055,506
21. Accounts Receivable - Other (Net).....	510,535
22. Materials and Supplies - Electric and Other.....	852,526
23. Prepayments.....	182,330
24. Other Current and Accrued Assets.....	0
25. Total Current and Accrued Assets (15 thru 24)	3,129,770
26. Regulatory Assets.....	0
27. Other Deferred Debits.....	284,384
28. Accumulated Deferred Income Taxes.....	0
29. Total Assets and Other Debits (5+14+25 thru 28)	63,612,299
30. Memberships.....	696,680
31. Patronage Capital.....	19,320,194
32. Operating Margins - Prior Years.....	96,485
33. Operating Margins - Current Year.....	1,612,298
34. Non-Operating Margins.....	62,514
35. Other Margins and Equities.....	916,396
36. Total Margins & Equities (30 thru 35).....	22,704,567
37. Long-Term Debt - RUS - Econ. Devel. (Net).....	18,776,131
(Payments-Unapplied \$ 0)	
38. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
39. Long-Term Debt - Other - REA Guaranteed.....	0
40. Long-Term Debt - Other (Net).....	8,614,751
41. Total Long-Term Debt (37 thru 40).....	27,390,882
42. Obligations Under Capital Leases - Noncurrent	0
43. Accumulated Operating Provisions.....	1,947,491
44. Total Other Noncurrent Liabilities (42+43).....	1,947,491
45. Notes Payable.....	6,948,908
46. Accounts Payable.....	2,806,232
47. Consumers Deposits.....	533,380
48. Other Current and Accrued Liabilities.....	707,948
49. Total Current & Accrued Liabilities (45 thru 48)	10,996,468
50. Deferred Credits.....	572,891
51. Accumulated Deferred Income Taxes.....	0
52. Total Liabilities and Other Credits	63,612,299
ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
53. Balance Beginning of Year.....	3,386,419
54. Amounts Received This Year (Net).....	233,032
55. Total Contributions in Aid of Construction.....	3,619,451

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <p>BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION P O BOX 990 NICHOLASVILLE, KY 40340-0990</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2</p>	<p>PERIOD ENDED 1998 December</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p>_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p>	<p>2/1/99 DATE</p>
<p>_____ SIGNATURE OF MANAGER</p>	<p>2/1/99 DATE</p>

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	32,575,746	34,459,317	34,009,173	2,773,516
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	22,097,275	22,968,536	22,483,350	2,167,458
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	391,354	1,033,444	549,500	131,023
6. Distribution Expense - Maintenance.....	1,417,755	1,934,340	1,806,700	212,202
7. Consumer Accounts Expense.....	924,556	1,089,057	1,158,700	95,253
8. Customer Service and Informational Expense.....	351,698	558,440	537,100	32,949
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	2,824,912	1,902,092	2,319,800	168,504
11. Total Operation & Maintenance Expense(2 thru 10).....	28,007,550	29,485,909	28,855,150	2,807,389
12. Depreciation and Amortization Expense.....	2,219,068	2,047,709	2,088,600	176,110
13. Tax Expense - Property & Gross Receipts.....	414,990	0	158,000	62
14. Tax Expense - Other.....	202,052	592	75,300	210
15. Interest on Long-Term Debt.....	1,542,256	1,536,887	1,632,000	128,900
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	93,529	346,705	62,000	41,766
18. Other Deductions.....	29,013	34,634	23,000	2,108
19. Total Cost of Electric Service(11 thru 18).....	32,508,458	33,452,436	32,894,050	3,156,545
20. Patronage Capital & Operating Margins (1 minus 19)...	67,288	1,006,881	1,115,123	(383,029)
21. Non Operating Margins - Interest.....	69,689	65,606	180,000	2,415
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(169,835)	8,843	0	98
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	98,783	150,453	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	65,925	1,231,783	1,295,123	(380,516)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1,116	1,199	5. Miles Transmission	0.00	0.00
2. Services Retired	175	87	6. Miles Distribution - Overhead	3,082.00	3,130.00
3. Total Services in Place	32,188	33,324	7. Miles Distribution - Underground	207.00	219.00
4. Idle Services (Exclude Seasonal)	1,837	1,833	8. Total Miles Energized (5 + 6 + 7)	3,289.00	3,349.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p>		
<p>INSTRUCTIONS - See RUS Bulletin 1717B - 2</p>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1998 December</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1998 December	RUS USE ONLY
PERIOD ENDED 1998 December	RUS USE ONLY		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 68,336,632	30. Memberships..... 697,383
2. Construction Work in Progress..... 1,076,287	31. Patronage Capital..... 19,316,010
3. Total Utility Plant (1+2)..... 69,412,919	32. Operating Margins - Prior Years..... 96,484
4. Accum. Provision for Depreciation and Amort.. 15,779,892	33. Operating Margins - Current Year..... 1,231,783
5. Net Utility Plant (3-4) 53,633,027	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 1,088,278
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 22,492,452
8. Invest. In Assoc. Org. - Patronage Capital..... 5,917,365	37. Long-Term Debt - RUS - Econ. Devel. (Net)..... 23,756,962
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,496,635
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 32,253,597
14. Total Other Property and Investments (6 thru 13) 7,198,025	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 851,597	43. Accumulated Operating Provisions..... 1,970,690
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,970,690
17. Special Deposits..... 0	45. Notes Payable..... 3,025,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,879,040
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 527,880
20. Accounts Receivable - Sales of Energy (Net).. 1,044,098	48. Other Current and Accrued Liabilities..... 612,721
21. Accounts Receivable - Other (Net)..... 544,416	49. Total Current & Accrued Liabilities (45 thru 48) 7,044,641
22. Materials and Supplies - Electric and Other..... 658,312	50. Deferred Credits..... 547,304
23. Prepayments..... 105,774	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+49 thru 51) 64,308,684
25. Total Current and Accrued Assets (15 thru 24) 3,204,197	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
26. Regulatory Assets..... 0	53. Balance Beginning of Year..... 3,386,419
27. Other Deferred Debits..... 273,435	54. Amounts Received This Year (Net)..... 259,415
28. Accumulated Deferred Income Taxes..... 0	55. Total Contributions in Aid of Construction..... 3,645,834
29. Total Assets and Other Debits (5+14+25 thru 28) 64,308,684	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION PO BOX 990 NICHOLASVILLE, KY 43040-0990
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1999 January	RUS USE ONLY
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.		
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT 		DATE 3/2/99
SIGNATURE OF MANAGER		DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	3,265,113	3,699,314	3,422,515	3,699,314
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	1,990,955	2,455,962	2,309,235	2,455,962
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	84,569	92,988	95,800	92,988
6. Distribution Expense - Maintenance.....	124,941	99,264	168,300	99,264
7. Consumer Accounts Expense.....	102,887	89,884	99,450	89,884
8. Customer Service and Informational Expense.....	82,991	68,251	49,100	68,251
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	142,214	190,065	157,500	190,065
11. Total Operation & Maintenance Expense(2 thru 10).....	2,528,557	2,996,414	2,879,385	2,996,414
12. Depreciation and Amortization Expense.....	166,283	177,877	174,000	177,877
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0
14. Tax Expense - Other.....	(204)	397	500	397
15. Interest on Long-Term Debt.....	129,350	128,900	152,400	128,900
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	8,195	20,459	11,000	20,459
18. Other Deductions.....	1,477	2,718	2,200	2,718
19. Total Cost of Electric Service(11 thru 18).....	2,833,658	3,326,765	3,219,485	3,326,765
20. Patronage Capital & Operating Margins (1 minus 19)...	431,455	372,549	203,030	372,549
21. Non Operating Margins - Interest.....	1,854	2,256	8,500	2,256
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	281	(2,442)	0	(2,442)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	8,500	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	433,590	372,363	220,030	372,363

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	73	105	5. Miles Transmission	0.00	0.00
2. Services Retired	14	12	6. Miles Distribution - Overhead	3,084.00	3,133.00
3. Total Services in Place	32,261	33,417	7. Miles Distribution - Underground	208.00	221.00
4. Idle Services (Exclude Seasonal)	1,830	1,833	8. Total Miles Energized (5 + 6 + 7)	3,292.00	3,354.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 PERIOD ENDED 1999 January RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B - 2	

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 69,112,665	30. Memberships..... 698,155
2. Construction Work in Progress..... 560,426	31. Patronage Capital..... 19,312,606
3. Total Utility Plant (1+2)..... 69,673,091	32. Operating Margins - Prior Years..... 1,253,819
4. Accum. Provision for Depreciation and Amort.. 15,781,420	33. Operating Margins - Current Year..... 372,364
5. Net Utility Plant(3-4)..... 53,891,671	34. Non-Operating Margins..... 136,963
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 1,089,162
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35)..... 22,863,069
8. Invest. In Assoc. Org. - Patronage Capital..... 5,917,365	37. Long-Term Debt - RUS (Net)..... 23,737,709
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net)..... 8,496,635
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 32,234,344
14. Total Other Property and Investments (6 thru 13) 7,198,025	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 858,477	43. Accumulated Operating Provisions..... 1,922,352
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,922,352
17. Special Deposits..... 0	45. Notes Payable..... 4,075,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,959,922
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 528,900
20. Accounts Receivable - Sales of Energy (Net).. 1,870,402	48. Other Current and Accrued Liabilities..... 605,940
21. Accounts Receivable - Other (Net)..... 587,293	49. Total Current & Accrued Liabilities (45 thru 48) 8,169,762
22. Materials and Supplies - Electric and Other..... 605,185	50. Deferred Credits..... 521,621
23. Prepayments..... 437,907	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+44+49 thru 51)..... 65,711,148
25. Total Current and Accrued Assets (15 thru 24) 4,359,264	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
26. Regulatory Assets..... 0	53. Balance Beginning of Year..... 3,645,834
27. Other Deferred Debits..... 262,188	54. Amounts Received This Year (Net)..... 7,683
28. Accumulated Deferred Income Taxes..... 0	55. Total Contributions in Aid of Construction..... 3,653,517
29. Total Assets and Other Debits (5+14+25 thru 28) 65,711,148	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.
(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <p>BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION PO BOX 990 NICHOLASVILLE, KY 43040-0990</p>
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<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2</p>	<p>PERIOD ENDED 1999 February</p>	<p>RUS USE ONLY</p>
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 4788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

<p><i>[Signature]</i> SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p>	<p><u>4/2/99</u> DATE</p>
<p><i>[Signature]</i> SIGNATURE OF MANAGER</p>	<p><u>4/2/99</u> DATE</p>

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	6,702,397	7,026,620	6,878,876	3,327,306
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	3,757,140	4,469,765	4,474,437	2,013,803
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	163,810	167,213	191,600	74,225
6. Distribution Expense - Maintenance.....	358,405	337,413	336,600	238,149
7. Consumer Accounts Expense.....	199,179	173,675	198,900	83,792
8. Customer Service and Informational Expense.....	113,302	110,192	98,200	41,942
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	304,628	368,621	315,000	184,740
11. Total Operation & Maintenance Expense(2 thru 10).....	4,896,464	5,626,879	5,614,737	2,636,651
12. Depreciation and Amortization Expense.....	329,716	356,740	349,000	178,863
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0
14. Tax Expense - Other.....	704	2,408	1,000	2,011
15. Interest on Long-Term Debt.....	251,155	304,434	304,800	175,534
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	37,615	34,389	22,000	13,931
18. Other Deductions.....	2,954	4,556	4,400	1,838
19. Total Cost of Electric Service(11 thru 18).....	5,518,608	6,329,406	6,295,937	3,008,828
20. Patronage Capital & Operating Margins (1 minus 19).....	1,183,789	697,214	582,939	318,478
21. Non Operating Margins - Interest.....	3,214	3,927	17,000	1,671
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	3,890	(4,081)	0	(1,639)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	17,000	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	1,190,893	697,060	616,939	318,510

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	104	189	5. Miles Transmission	0.00	0.00
2. Services Retired	17	16	6. Miles Distribution - Overhead	3,084.00	3,136.00
3. Total Services In Place	32,289	33,497	7. Miles Distribution - Underground	209.00	222.00
4. Idle Services (Exclude Seasonal)	1,810	1,835	8. Total Miles Energized (5 + 6 + 7)	3,293.00	3,358.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p> <p>INSTRUCTIONS - See RUS Bulletin 1717B - 2</p>	<p>BORROWER DESIGNATION KY064</p> <p>PERIOD ENDED 1999 February</p> <p>RUS USE ONLY</p>
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PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 69,487,663	30. Memberships..... 700,340
2. Construction Work in Progress..... 670,572	31. Patronage Capital..... 19,303,964
3. Total Utility Plant (1+2)..... 70,158,235	32. Operating Margins - Prior Years..... 1,253,819
4. Accum. Provision for Depreciation and Amort.. 15,902,893	33. Operating Margins - Current Year..... 697,060
5. Net Utility Plant(3-4) 54,255,342	34. Non-Operating Margins..... 136,962
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 1,092,223
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 23,184,368
8. Invest. In Assoc. Org. - Patronage Capital..... 5,916,673	37. Long-Term Debt - RUS (Net)..... 25,619,686
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,496,635
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 34,116,321
14. Total Other Property and Investments (6 thru 13) 7,197,333	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 672,279	43. Accumulated Operating Provisions..... 1,945,553
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,945,553
17. Special Deposits..... 0	45. Notes Payable..... 2,025,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,803,517
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 529,595
20. Accounts Receivable - Sales of Energy (Net).. 1,870,394	48. Other Current and Accrued Liabilities..... 586,938
21. Accounts Receivable - Other (Net)..... 445,191	49. Total Current & Accrued Liabilities (45 thru 48) 5,945,050
22. Materials and Supplies - Electric and Other.... 645,473	50. Deferred Credits..... 523,162
23. Prepayments..... 371,790	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+44+49 thru 51)..... 65,714,454
25. Total Current and Accrued Assets (15 thru 24) 4,005,127	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 256,652	53. Balance Beginning of Year..... 3,645,834
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 13,204
29. Total Assets and Other Debits (5+14+25 thru 28) 65,714,454	55. Total Contributions in Aid of Construction..... 3,659,038

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION PO BOX 990 NICHOLASVILLE, KY 43040-0990
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1999 March

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	4/27/99 DATE
_____ SIGNATURE OF MANAGER	4/28/99 DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	9,633,392	10,262,877	9,939,677	3,236,257
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	5,755,365	6,590,629	6,763,101	2,120,864
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	248,210	255,978	287,400	88,765
6. Distribution Expense - Maintenance.....	468,066	477,108	504,900	139,695
7. Consumer Accounts Expense.....	287,499	267,156	298,400	93,480
8. Customer Service and Informational Expense.....	151,529	173,717	147,300	63,525
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	509,731	534,348	472,500	165,728
11. Total Operation & Maintenance Expense(2 thru 10).....	7,420,400	8,298,936	8,473,601	2,672,057
12. Depreciation and Amortization Expense.....	500,827	537,093	524,000	180,353
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0
14. Tax Expense - Other.....	1,638	2,474	1,500	66
15. Interest on Long-Term Debt.....	377,955	458,334	457,200	153,900
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	64,205	27,289	33,000	(7,100)
18. Other Deductions.....	4,581	6,505	6,600	1,949
19. Total Cost of Electric Service(11 thru 18).....	8,369,606	9,330,631	9,495,901	3,001,225
20. Patronage Capital & Operating Margins (1 minus 19).....	1,263,786	932,246	443,776	235,032
21. Non Operating Margins - Interest.....	4,873	10,334	25,500	6,407
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	4,342	(4,929)	0	(847)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	25,500	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	1,273,001	937,651	494,776	240,592

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	178	288	5. Miles Transmission	0.00	0.00
2. Services Retired	29	25	6. Miles Distribution - Overhead	3,088.00	3,139.00
3. Total Services in Place	32,351	33,587	7. Miles Distribution - Underground	210.00	222.00
4. Idle Services (Exclude Seasonal)	1,795	1,847	8. Total Miles Energized (5 + 6 + 7)	3,298.00	3,361.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <p>PERIOD ENDED 1999 March</p> <p style="text-align: right;">RUS USE ONLY</p>
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INSTRUCTIONS - See RUS Bulletin 1717B - 2

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 70,004,992	30. Memberships..... 701,683
2. Construction Work in Progress..... 436,542	31. Patronage Capital..... 19,295,616
3. Total Utility Plant (1+2)..... 70,441,534	32. Operating Margins - Prior Years..... 1,253,819
4. Accum. Provision for Depreciation and Amort.. 15,951,982	33. Operating Margins - Current Year..... 937,652
5. Net Utility Plant (3-4)..... 54,489,552	34. Non-Operating Margins..... 136,962
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 1,095,875
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35)..... 23,421,607
8. Invest. In Assoc. Org. - Patronage Capital..... 5,916,673	37. Long-Term Debt - RUS (Net)..... 25,600,233
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net)..... 8,446,037
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 34,046,270
14. Total Other Property and Investments (6 thru 13) 7,197,333	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 697,325	43. Accumulated Operating Provisions..... 1,968,753
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 1,968,753
17. Special Deposits..... 0	45. Notes Payable..... 1,875,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,387,174
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 530,770
20. Accounts Receivable - Sales of Energy (Net).. 1,562,573	48. Other Current and Accrued Liabilities..... 669,578
21. Accounts Receivable - Other (Net)..... 513,710	49. Total Current & Accrued Liabilities (45 thru 48) 5,462,522
22. Materials and Supplies - Electric and Other.... 416,458	50. Deferred Credits..... 521,439
23. Prepayments..... 300,814	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+44+49 thru 51)..... 65,420,591
25. Total Current and Accrued Assets (15 thru 24) 3,490,880	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 242,826	53. Balance Beginning of Year..... 3,645,834
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 103,232
29. Total Assets and Other Debits (5+14+25 thru 28) 65,420,591	55. Total Contributions in Aid of Construction..... 3,749,066

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p> <hr/> <p>BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION PO BOX 990 NICHOLASVILLE, KY 43040-0990</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2</p>	<p>PERIOD ENDED 1999 April</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p>_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p> <p>_____ SIGNATURE OF MANAGER</p>	<p>6/2/99 DATE</p> <p>6/2/99 DATE</p>

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	12,250,963	13,182,814	12,734,710	2,919,937
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	7,251,190	8,185,939	8,398,409	1,595,310
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	319,585	348,484	383,200	92,505
6. Distribution Expense - Maintenance.....	587,621	639,920	673,200	162,445
7. Consumer Accounts Expense.....	381,398	363,937	397,900	94,720
8. Customer Service and Informational Expense.....	203,478	234,764	196,400	61,047
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	701,484	731,626	630,000	197,234
11. Total Operation & Maintenance Expense(2 thru 10).....	9,444,756	10,504,670	10,679,109	2,203,261
12. Depreciation and Amortization Expense.....	0	0	0	0
13. Tax Expense - Property & Gross Receipts.....	669,443	718,645	700,000	181,553
14. Tax Expense - Other.....	(7,671)	(2,009)	2,000	(8,249)
15. Interest on Long-Term Debt.....	504,755	612,234	609,600	153,900
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	90,507	35,212	44,000	7,923
18. Other Deductions.....	6,559	9,055	8,800	2,550
19. Total Cost of Electric Service(11 thru 18).....	10,708,349	11,877,807	12,043,509	2,540,938
20. Patronage Capital & Operating Margins (1 minus 19).....	1,542,614	1,305,007	691,201	378,999
21. Non Operating Margins - Interest.....	29,968	40,199	34,000	29,866
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(11,297)	(7,262)	0	(2,334)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	34,000	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	1,561,285	1,337,944	759,201	406,531

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	274	402	5. Miles Transmission	0.00	0.00
2. Services Retired	30	36	6. Miles Distribution - Overhead	3,093.00	3,142.00
3. Total Services in Place	32,446	33,690	7. Miles Distribution - Underground	211.00	223.00
4. Idle Services (Exclude Seasonal)	1,811	1,853	8. Total Miles Energized (5 + 6 + 7)	3,304.00	3,365.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS	BORROWER DESIGNATION KY064	
FINANCIAL AND STATISTICAL REPORT	PERIOD ENDED 1999 April	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B - 2		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	70,572,524
2. Construction Work in Progress.....	525,786
3. Total Utility Plant (1+2).....	71,098,310
4. Accum. Provision for Depreciation and Amort..	16,021,187
5. Net Utility Plant (3-4).....	55,077,123
6. Non-Utility Property (Net).....	0
7. Investments in Subsidiary Companies.....	0
8. Invest. In Assoc. Org. - Patronage Capital.....	5,916,673
9. Invest. In Assoc. Org. - Other - General Funds	0
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds..	1,280,660
11. Investments in Economic Development Projects	0
12. Other Investments.....	0
13. Special Funds.....	0
14. Total Other Property and Investments (6 thru 13)	7,197,333
15. Cash - General Funds.....	518,856
16. Cash - Construction Funds - Trustee.....	0
17. Special Deposits.....	0
18. Temporary Investments.....	0
19. Notes Receivable (Net).....	0
20. Accounts Receivable - Sales of Energy (Net)..	1,207,622
21. Accounts Receivable - Other (Net).....	404,287
22. Materials and Supplies - Electric and Other.....	484,047
23. Prepayments.....	231,300
24. Other Current and Accrued Assets.....	0
25. Total Current and Accrued Assets (15 thru 24)	2,846,112
26. Regulatory Assets.....	0
27. Other Deferred Debits.....	235,308
28. Accumulated Deferred Income Taxes.....	0
29. Total Assets and Other Debits (5+14+25 thru 28)	65,355,876
30. Memberships.....	703,335
31. Patronage Capital.....	19,888,626
32. Operating Margins - Prior Years.....	96,485
33. Operating Margins - Current Year.....	1,337,944
34. Non-Operating Margins.....	62,513
35. Other Margins and Equities.....	1,377,677
36. Total Margins & Equities (30 thru 35).....	23,466,580
37. Long-Term Debt - RUS (Net).....	25,578,892
(Payments-Unapplied \$ 0)	
38. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
39. Long-Term Debt - Other - REA Guaranteed.....	0
40. Long-Term Debt - Other (Net).....	8,446,036
41. Total Long-Term Debt (37 thru 40).....	34,024,928
42. Obligations Under Capital Leases - Noncurrent	0
43. Accumulated Operating Provisions.....	1,991,953
44. Total Other Noncurrent Liabilities (42+43).....	1,991,953
45. Notes Payable.....	1,225,000
46. Accounts Payable.....	2,815,794
47. Consumers Deposits.....	534,485
48. Other Current and Accrued Liabilities.....	781,328
49. Total Current & Accrued Liabilities (45 thru 48)	5,356,607
50. Deferred Credits.....	515,808
51. Accumulated Deferred Income Taxes.....	0
52. Total Liabilities and Other Credits	65,355,876
(36+41+44+49 thru 51).....	
ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
53. Balance Beginning of Year.....	3,645,834
54. Amounts Received This Year (Net).....	115,736
55. Total Contributions in Aid of Construction.....	3,761,570

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

Public reporting burden for this collection of information is estimated to average 17 hours per response, including the time for reviewing instructions, searching existing data gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, AG Box 7630, Washington, DC 20250; and to the OI Budget, Paperwork Reduction Project (OMB #0572-0032), Washington, DC 20503. OMB FORM NO. 0572-0032, Expires 06/30/98.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY064 BORROWER NAME AND ADDRESS BLUE GRASS ENERGY COOPERATIVE CORPORATION PO BOX 990 NICHOLASVILLE, KY 43040-0990
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1999 May

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	6/25/99 _____ DATE
_____ SIGNATURE OF MANAGER	_____ DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	14,607,791	15,530,461	15,088,429	2,347,647
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	8,952,967	10,017,279	10,081,179	1,831,340
4. Transmission Expense.....	0	0	0	0
5. Distribution Expense - Operation.....	407,063	435,933	479,000	87,449
6. Distribution Expense - Maintenance.....	736,706	819,120	841,500	179,200
7. Consumer Accounts Expense.....	476,260	479,525	497,400	95,588
8. Customer Service and Informational Expense.....	229,009	302,784	245,500	68,020
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	846,172	894,304	787,500	182,678
11. Total Operation & Maintenance Expense(2 thru 10).....	11,648,177	12,948,945	12,932,079	2,444,275
12. Depreciation and Amortization Expense.....	838,676	900,753	876,000	182,108
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0
14. Tax Expense - Other.....	(7,593)	(1,397)	2,500	612
15. Interest on Long-Term Debt.....	636,775	767,844	762,000	155,610
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	113,168	44,821	55,000	9,609
18. Other Deductions.....	8,154	11,030	11,000	1,975
19. Total Cost of Electric Service(11 thru 18).....	13,237,357	14,671,996	14,638,579	2,794,189
20. Patronage Capital & Operating Margins (1 minus 19).....	1,370,434	858,465	449,850	(446,542)
21. Non Operating Margins - Interest.....	31,309	41,986	42,500	1,787
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0
24. Non Operating Margins - Other.....	(9,154)	(7,772)	0	(510)
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	26	4	42,500	4
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	1,392,615	892,683	534,850	(445,261)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	351	481	5. Miles Transmission	0.00	0.00
2. Services Retired	35	42	6. Miles Distribution - Overhead	3,093.00	3,144.00
3. Total Services in Place	32,518	33,763	7. Miles Distribution - Underground	211.00	223.00
4. Idle Services (Exclude Seasonal)	1,790	1,857	8. Total Miles Energized (5 + 6 + 7)	3,304.00	3,367.00

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>FINANCIAL AND STATISTICAL REPORT</p>	<p>BORROWER DESIGNATION KY064</p>		
<p>INSTRUCTIONS - See RUS Bulletin 1717B - 2</p>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1999 May</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1999 May	RUS USE ONLY
PERIOD ENDED 1999 May	RUS USE ONLY		

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 70,837,566	30. Memberships..... 705,303
2. Construction Work in Progress..... 641,211	31. Patronage Capital..... 19,888,626
3. Total Utility Plant (1+2)..... 71,478,777	32. Operating Margins - Prior Years..... 96,485
4. Accum. Provision for Depreciation and Amort.. 16,162,723	33. Operating Margins - Current Year..... 892,683
5. Net Utility Plant (3-4) 55,316,054	34. Non-Operating Margins..... 62,514
6. Non-Utility Property (Net)..... 0	35. Other Margins and Equities..... 1,376,843
7. Investments in Subsidiary Companies..... 0	36. Total Margins & Equities (30 thru 35) 23,022,454
8. Invest. In Assoc. Org. - Patronage Capital..... 5,916,675	37. Long-Term Debt - RUS (Net)..... 25,466,603
9. Invest. In Assoc. Org. - Other - General Funds 0	(Payments-Unapplied \$ 0)
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds.. 1,280,660	38. Long-Term Debt - RUS - Econ. Devel. (Net)..... 0
11. Investments in Economic Development Projects 0	39. Long-Term Debt - Other - REA Guaranteed..... 0
12. Other Investments..... 0	40. Long-Term Debt - Other (Net) 8,446,037
13. Special Funds..... 0	41. Total Long-Term Debt (37 thru 40)..... 33,912,640
14. Total Other Property and Investments (6 thru 13) 7,197,335	42. Obligations Under Capital Leases - Noncurrent 0
15. Cash - General Funds..... 410,346	43. Accumulated Operating Provisions..... 2,015,152
16. Cash - Construction Funds - Trustee..... 0	44. Total Other Noncurrent Liabilities (42+43)..... 2,015,152
17. Special Deposits..... 0	45. Notes Payable..... 2,175,000
18. Temporary Investments..... 0	46. Accounts Payable..... 2,339,316
19. Notes Receivable (Net)..... 0	47. Consumers Deposits..... 536,530
20. Accounts Receivable - Sales of Energy (Net).. 1,139,705	48. Other Current and Accrued Liabilities..... 829,279
21. Accounts Receivable - Other (Net)..... 400,803	49. Total Current & Accrued Liabilities (45 thru 48) 5,880,125
22. Materials and Supplies - Electric and Other..... 496,666	50. Deferred Credits..... 513,856
23. Prepayments..... 157,937	51. Accumulated Deferred Income Taxes..... 0
24. Other Current and Accrued Assets..... 0	52. Total Liabilities and Other Credits (36+41+44+49 thru 51)..... 65,344,227
25. Total Current and Accrued Assets (15 thru 24) 2,605,457	
26. Regulatory Assets..... 0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
27. Other Deferred Debits..... 225,381	53. Balance Beginning of Year..... 3,645,834
28. Accumulated Deferred Income Taxes..... 0	54. Amounts Received This Year (Net)..... 136,839
29. Total Assets and Other Debits (5+14+25 thru 28) 65,344,227	55. Total Contributions in Aid of Construction..... 3,782,673

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

1 Blue Grass Energy Cooperative Corporation
 2 **Income Statement, adjusted**
 3 May 31, 1999

Exhibit M
 page 1
 of 3

	Test Year	Adjustments	Adjusted Test year
8 Operating revenue	<u>35,381,987</u>	<u>(206,210)</u>	<u>35,175,777</u>
10 Cost of power	24,032,848		24,032,848
11 Distribution expense - operation	1,062,314		1,062,314
12 Distribution expense - maintenance	2,016,754		2,016,754
13 Consumer accounts expense	1,092,322		1,092,322
14 Customer service and informational expense	632,215		632,215
15 Sales expense	0		0
16 Administrative and general expense	<u>1,950,224</u>		<u>1,950,224</u>
17 Total operation and maintenance expense	30,786,677	0	30,786,677
18 Depreciation expense	2,109,786		2,109,786
19 Tax expense - property	0		0
20 Tax expense - other	6,788		6,788
21 Interest on long term debt	1,667,956		1,667,956
22 Interest charged to construction - credit	0		0
23 Interest expense - other	278,358		278,358
24 Other deductions	<u>37,510</u>		<u>37,510</u>
25 Total cost of electric service	<u>34,887,075</u>	<u>0</u>	<u>34,887,075</u>
26 Patronage capital and operating margins	494,912	(206,210)	288,702
27 Nonoperating margins - interest	76,283		76,283
28 Income (loss) from equity investments			0
29 Non operating margins - other	10,225		10,225
30 G & T capital credits	0		0
31 Other capital credits	150,431		150,431
32 Extraordinary items	<u>0</u>		<u>0</u>
33 Net margins	<u><u>731,851</u></u>	<u><u>(206,210)</u></u>	<u><u>525,641</u></u>

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 36 Witness: Donald Smothers
 37 Witness: Alan Zumstein
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 39

1 Blue Grass Energy Cooperative Corporation
 2 **Balance Sheet, adjusted**
 3 May 31, 1999

Exhibit M
 page 2
 of 3

	Test Year	Adjustments	Adjusted Test year
<u>Assets and Other Debits</u>			
Total utility plant in service	70,837,566		70,837,566
Construction work in progress	641,211		641,211
Total utility plant	71,478,777	0	71,478,777
Accum provision for depreciation	16,162,723		16,162,723
Net utility plant	55,316,054	0	55,316,054
Invest in assoc org - patronage capital	5,916,675		5,916,675
Invest in assoc org - nongen funds	1,280,660		1,280,660
Total other property and investments	7,197,335	0	7,197,335
Cash - general funds	410,346		410,346
Accounts receivable - sales of electricity	1,139,705		1,139,705
Accounts receivable - other	400,803		400,803
Material and supplies	496,666		496,666
Prepayments	157,937		157,937
Total current and accrued assets	2,605,457	0	2,605,457
Other deferred assets	225,381		225,381
Net change in assets		(206,210)	(206,210)
Total assets and other debits	65,344,227	(206,210)	65,138,017

<u>Liabilities and Other Credits</u>			
Memberships	705,303		705,303
Patronage capital	19,888,626	(206,210)	19,682,416
Operating margins - prior years	96,485		96,485
Operating margins - current year	892,683		892,683
Non operating margins	62,514		62,514
Other margins and equities	1,376,843		1,376,843
Total margins & equities	23,022,454	(206,210)	22,816,244
Long term debt - RUS	25,466,603		25,466,603
Long term debt - other	8,446,037		8,446,037
Total long term debt	33,912,640	0	33,912,640
Accumulated operating provisions	2,015,152		2,015,152
Notes payable	2,175,000		2,175,000
Accounts payable	2,339,316		2,339,316
Customers deposits	536,530		536,530
Other current and accrued liabilities	829,279		829,279
Total current and accrued liabilities	5,880,125	0	5,880,125
Deferred credits	513,856		513,856
Total liabilities and other credits	65,344,227	(206,210)	65,138,017

47 Witness: Donald Smothers

48 Witness: Alan Zumstein

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Blue Grass Energy Cooperative Corporation
Adjustments
May 31, 1999

Exhibit M
page 3
of 3

Proposed revenue for the reduction in rates for the decrease in residential rates in the Fox Creek District	8,190,367
Revenues normalized for rates effective June 1, 1999	<u>8,396,577</u>
Proposed decrease	<u>(206,210)</u>

The effect on the test year and proposed TIER are calculated as follows:

	Test Year	Adjusted Test year
Interest on long term debt	1,667,956	1,667,956
Net margins	731,851	525,641
TIER (times interest earned)	<u>1.44</u>	<u>1.32</u>

Witness: Donald Smothers
Witness: Alan Zumstein

Blue Grass Energy Cooperative Corporation

Monthly Operating Budget

May 31, 1999

Witness: Don Smothers

Witness: Alan Zumstein

Exhibit N
Page 1
of 1

	1998 June	1998 July	1998 August	1998 September	1998 October	1998 November	1998 December	1999 January	1999 February	1999 March	1999 April	1999 May	Total
Operating revenue	2,577,855	2,977,420	2,777,161	2,567,447	2,398,075	2,928,287	3,145,530	3,422,515	3,456,361	3,060,801	2,795,033	2,353,719	34,460,204
Operating expenses:													
Cost of power	1,711,026	2,124,378	1,897,823	1,628,422	1,543,750	1,909,650	2,080,510	2,309,235	2,165,202	2,288,664	1,635,308	1,682,770	22,976,738
Distribution-operations	45,800	45,800	45,800	45,800	45,800	45,800	45,700	95,800	95,800	95,800	95,800	95,800	799,500
Distribution-maintenance	150,600	150,600	150,600	150,600	150,600	150,600	150,600	168,300	168,300	168,300	168,300	168,300	1,895,700
Consumer accounts	96,450	97,450	98,550	97,550	95,550	95,450	95,450	99,450	99,450	99,500	99,500	99,500	1,173,850
Customer services	44,800	44,800	44,700	44,700	44,700	44,700	44,700	49,100	49,100	49,100	49,100	49,100	558,600
Sales	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative and gener	193,300	193,300	193,300	193,300	193,300	193,400	193,400	157,500	157,500	157,500	157,500	157,500	2,140,800
Total operation and mai	2,241,976	2,656,328	2,430,773	2,160,372	2,073,700	2,439,600	2,610,360	2,879,385	2,735,352	2,858,864	2,205,508	2,252,970	29,545,188
Depreciation	173,800	174,300	174,300	174,800	174,800	175,300	175,300	174,000	175,000	175,000	176,000	176,000	2,098,600
Taxes-property	13,150	13,150	13,150	13,150	13,150	13,250	13,250	0	0	0	0	0	92,250
Taxes-other	6,300	6,300	6,200	6,200	6,200	6,300	6,300	500	500	500	500	500	46,300
Interest on long term debt	136,000	136,000	136,000	136,000	136,000	136,000	136,000	152,400	152,400	152,400	152,400	152,400	1,714,000
Interest expense - other	5,150	5,150	5,150	5,150	5,150	5,150	5,150	11,000	11,000	11,000	11,000	11,000	91,050
Other deductions	1,900	1,900	1,900	1,900	1,900	1,900	1,900	2,200	2,200	2,200	2,200	2,200	24,300
Total cost of electric ser	2,578,276	2,993,128	2,767,473	2,497,572	2,410,900	2,777,500	2,948,260	3,219,485	3,076,452	3,199,964	2,547,608	2,595,070	33,611,688
Utility operating margin	(421)	(15,708)	9,688	69,875	(12,825)	150,787	197,270	203,030	379,909	(139,163)	247,425	(241,351)	848,516
Nonoperating margins, inte	15,000	15,000	15,000	15,000	15,000	15,000	15,000	8,500	8,500	8,500	8,500	8,500	147,500
Nonoperating margins, oth	0	0	0	0	0	0	0	0	0	0	0	0	0
Patronage capital:													
G & T	0	0	0	0	0	0	0	8,500	8,500	8,500	8,500	8,500	42,500
Others	0	0	0	0	0	0	0	8,500	8,500	8,500	8,500	8,500	42,500
Extraordinary Items													
Net margins	14,579	(708)	24,688	84,875	2,175	165,787	212,270	220,030	396,909	(122,163)	264,425	(224,351)	1,038,516



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 27, 1999

J. Donald Smothers
Vice President, Financial Services
Blue Grass Energy Cooperative Corp.
P. O. Box 990
1201 Lexington Road
Nicholasville, KY. 40340 0990

RE: Case No. 99-311
BLUE GRASS ENERGY COOPERATIVE CORP.
(Rates - General)

This letter is to acknowledge receipt of notice of intent to file a rate application in the above case. The notice was date-stamped received on July 14, 1999 and has been assigned Case No. 99-311. In all future correspondence or filings made in connection with this case, please reference the above case number.

If I can be of any help on procedural matters, please feel free to contact me at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc



**Blue Grass Energy
Cooperative Corporation**

PO Box 990
1201 Lexington Road
Nicholasville, Kentucky 40340-0990
Phone: (606) 885-4191
Fax: (606) 885-2854

RECEIVED
JUL 14 1999
PUBLIC SERVICE
COMMISSION

July 13, 1999

Helen C. Helton Executive Director
Kentucky Public Service Commission
P O Box 615
Frankfort Kentucky 40602

Dear Ms. Helton,

CASE 99-311

This is to advise, in accordance with the Commission's Administrative Regulation 807 KAR 5:001, Section 11(2), that on or about August 13, 1999, Blue Grass Energy Cooperative Corporation intends to file an application for a decrease in its Fox Creek District Residential Rates. This is in accordance with our consolidation of Fox Creek RECC and Blue Grass RECC effective January 1, 1998 forming Blue Grass Energy. Since there will be no revenue or expense adjustments, Blue Grass Energy request the decrease rates to be placed in effect 20 days after the filing.

If there are any questions concerning this matter, please call me at (606) 885-4192 ext. 118. Thank you.

Sincerely,

J. Donald Smothers
Vice President, Financial Services

Copy to:

Attorney General
Utility Intervention and Rate Division

